



Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

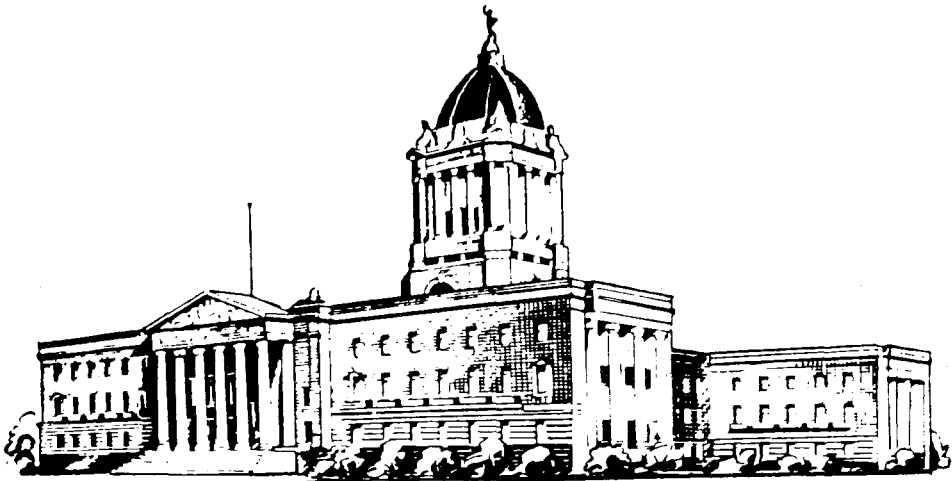
ON

PUBLIC UTILITIES

Chairman

Mr. Harry Shafransky, M.L.A.

Constituency of Radisson



10:00 a.m., Thursday, May 6, 1976.

THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON PUBLIC UTILITIES
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Chairman: Mr. Harry Shafransky

MR. CHAIRMAN: Order please. We have a quorum, we can proceed with the committee. This morning we are to have the Annual Report from the Manitoba Public Insurance Corporation. I'll call upon the Minister responsible and Chairman of the Board, Mr. Uruski.

MR. URUSKI: Thank you, Mr. Chairman. Before I commence with my remarks, I'd like to introduce to the members of the committee, members of the staff that are present with us this morning. Immediately to my left J. O. Dutton, the General Manager of the Corporation; Carl Laufer, Executive in Charge of Administration and Personnel; Ian Grieve is the Public Relations Manager and Henry Dribnenky is our Comptroller, and Gordon Smith is the basic Autopac Manager with respect to the compulsory portion of our insurance.

Mr. Chairman, before we proceed with discussing the Annual Report in detail I would like to offer a brief overview of the Corporation's operations for the past year. 1975 ended with the automobile insurance operation showing a slight surplus despite incurring a \$6 million deficit in the first four months of the fiscal year. Although the surplus was extremely modest, it was nevertheless an encouraging sign in the wake of gigantic losses realized in the insurance industry world-wide, for example a \$4.2 billion loss in the United States and about \$175 million loss in Canada. For the insurance industry in Canada this was the sixth year of successive underwriting losses, and follows losses of \$330 million in '74 and \$133 million in '73. The volume in automobile claims dropped slightly to \$175,000 in 1975, I believe, from \$178,000 in '74. Despite this reduction, however, the average cost per claim increased by 17 percent, reflecting the effects of inflation on every aspect of our business: price of spare parts, body shop labour rates, higher court awards, higher salaries; simply put, the higher costs of doing business.

In '75 the Corporation was successful in effecting a reduction in the administrative expense ratio, from 19 percent in '74 to 17.6 percent in 1975. The encouraging results of 1975 necessitated only a 15 percent rate increase this year. This compares extremely favourably with the higher rate increases of up to 50 percent assessed for private insurers in other provinces. The automobile insurance operation is progressing well, and I am confident that the Corporation will once again show a surplus picture for the ensuing fiscal year.

The general insurance operation is in the building stage, having commenced writing business in July of 1975. The Corporation wrote just under \$1 million in premiums during the first four months of 1975, which ended October 31st of our fiscal year. Although the loss ratio is only 22 percent, the general insurance operation had a deficit of \$71,000, reflecting the high expenses which are necessarily incurred in the early years of the business. The insurance market in Manitoba, and in fact across the country, is in an unstable state with nearly every agent seeking market capacity for diverse risks. The Corporation is attempting to fill the gap in the market, but in attempting to do so it has to be extremely careful in maintaining a balanced book of business with a spread of all types and classes of risks.

The next few years will be a period of gradual growth for the general insurance operations, premium income will increase each year, but a sharp upsurge in business in the short period is not likely to occur. It should be re-emphasized that the Corporation does not expect to show a surplus during the early stages of growth. A surplus will only be possible when the Corporation obtains a sizable volume of business combined with a healthy spread of the various types of insurance risks.

In conclusion, I feel that the Corporation has now overcome the problems normally associated with all newly formed business. The financial picture appears headed for more improvement. Some further inroads will be made into the overall deficit and the general insurance operation is providing a much needed market capacity in Manitoba, following either the withdrawal of insurers from the Canadian scene, or in many instances, the curtailment of facilities, not only in Manitoba but across the country.

MR. CHAIRMAN: Thank you. Are there any questions at this particular time on the opening statement, or shall we proceed with a page by page perusal of the report? Page 1--pass; Page 2--pass; Page 3--pass; Page 4. Mr. Steen.

MR. STEEN: Yes, I have a question, Mr. Chairman, to the Minister responsible. I notice in reading the Annual Report that reference is made on more than one occasion to the "generally accepted accounting principles," a new method of accounting that the Corporation has adopted. Would the Minister take a moment or two and perhaps tell me as a new member, why the Corporation has changed its method of accounting?

MR. URUSKI: Mr. Chairman, the Manager, the Executive of the Corporation are members of the Canadian Institute of Chartered Accountants. In, I believe, 1973 or '74, a study was begun by the Canadian Institute of Chartered Accountants dealing with accounting practices of the insurance industry in Canada, not only the public sector, but the private sector and dealing with accounting methods used by the insurance industry. They presented a report, I believe, in the fall of 1974 headed up under the title of "Financial Reporting for Property and Casualty Insurers" and in that report they came up with a number of conclusions and the recommendations made which the Corporation adopted. One of the changes made which the Corporation was not using was adopted subsequently by the Corporation and that is contained in Chapter 4 of that report and it's noted in the Summary of Conclusions, and I'd like to quote from that. They indicate, "Chapter 4, Applicability of Generally Accepted Accounting Principles. Generally accepted accounting principles provide more useful financial information to owners and other users of financial statements - apart from Superintendents of Insurance - than statutory accounting practices, and therefore should be adopted by property and casualty insurers. The conclusions of this study apply to all property and casualty insurers, including stock companies, mutuals, branches of non-Canadian companies and government insurance bodies which are offering specific types of insurance in competition with insurers in the private sector."

The specific recommendation that the Corporation adopted dealing with claims and adjustment costs was detailed in that report in Chapter 7, and it is noted in the recommendations as follows: Anticipated salvage and subrogation recoveries should be estimated and recorded when rights of recovery come into existence. When such recoveries relate to unpaid claims, they should be deducted from the provision for unpaid claims on the balance sheet. When they relate to the paid claims, the estimated net amount recoverable should be shown as an asset. In effect, that is really the practice that the Corporation has adopted. Although the amount of money shown as an asset is what I would consider a very conservative amount that we have shown in our records, we have apportioned it in line with recommendations in review of the files with the Provincial Auditor.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Yes, Mr. Chairman, I have a question to the Minister. Had the Insurance Corporation not changed its method of accounting, am I correct in assuming that you would not have shown a surplus . . . ?

MR. URUSKI: This year we would have not shown a surplus, but in effect over the next number of years we would have shown a larger surplus because we would have recaptured these amounts in future statements.

MR. STEEN: I also notice, Mr. Chairman, that as I said earlier, it's mentioned on more than one occasion throughout this year's Annual Report, referring to this, what I call GAAP, or this new method of accounting, and I would like to just go on record as to say, and I know the Minister did not say that the report was recognized by the Chartered Accountants Institute, but the very opening statement in that report that the Minister has referred to says that the series in each study expressed, expresses the views of the author or study groups concerned and does not reflect the approval or the endorsement of the Institute of Chartered Accountants. That's that study that you referred to as 1974. It has not been adopted by the Institute of Chartered Accountants.

My second comment regarding that study is that on Page 30 of that particular study, it says, item No. 15, "Government Insurers. This study does not cover government insurance bodies that have a virtual monopoly over a type of insurance," and then they go on and they use examples, Unemployment Insurance, Workers Compensation and so on. It is considered to apply only to those bodies which are in competition with the private sector. So my conclusion is, Mr. Chairman, through you to the Minister,

(MR. STEEN cont'd)that perhaps changing the method of accounting is a good one for the future, but my first point is (a) that by you doing it last year, it did put you in a position where you could show a surplus; (b) that the report is not a recognized report by the Institute of Chartered Accountants - and I do qualify that by saying that you did not say it was; and (c) is that that report was done by the Institute of Chartered Accountants and it's recognized to have been done for the private insuring carriers that are in competition rather than for government insurance bodies that have a monopoly.

MR. URUSKI: I'd like to make one prime comment before I turn over to the General Manager. One main point is whether or not it be public or private, if the principle of accounting is the generally accepted principle and it is the right method of doing things, whether it be public or private, it should be utilized. Now, when in effect it should have been implemented, the report has been concluded, the recommendations are there and they were generally accepted, not only by ourselves but by the Provincial Auditor and this change was made. Now whether you're saying we made it a year too soon, we made it after the report was concluded and the principles that were enunciated in the report were accepted. Whether or not the Institute of Chartered Accountants specifically gave their blessing, but the principle involved in that was the right principle.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Mr. Chairman, I don't want the Minister to get me wrong. I'm not saying that the changeover is incorrect, I'm saying that you do place some emphasis on the fact that the report that you're referring to that sort of backs up the change in accounting is one that was done by the Institute of Chartered Accountants. I say, yes, that is true, but they themselves have not accepted that report. That's what I'm saying.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, if I may. In effecting the change as it relates to Autopac - and incidentally there are some changes, too, from the conventional system that's used by the industry when it deals with general business, although it can't relate back to any previous year because it was the first four months for us. In Autopac itself, and we state so in the statement, it's stated there that by using this change it does change the financial picture - and you're quite right, sir, would change what would have been a deficit had we followed the previous system into a surplus, albeit, a small one. However, we felt that this was the correct procedure and we thought that it ought to be done now because the rate increases were necessary, and in our view, if we'd continued to follow the previous procedure it would have probably meant a recommendation from management of a larger rate increase than we did effect, and I think when the picture is brought in for this year that we're presently undergoing you will find that the rate increase would not have been justified, it would have been larger than the 15 percent that we brought in in the last year, and I think the generally accepted accounting procedures that we use will prove themselves to be the right one. In the general business, incidentally, had we followed the conventional system instead of the system recommended under GAAP, we'd have had a smaller deficit than we did have. So it works both ways.

MR. CHAIRMAN: Mr. Steen, are you finished with your questions? Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, it's rather difficult to go through the Annual Report on page-by-page basis. I would like to make some observations and ask a few questions about the general operation of Autopac, whether it's management or further down the scale to the adjusters, and so on. For example, for the life of me I can't understand why a Corporation such as this that is supposed to be serving the public interest is operating on a four-day week. The Minister himself when I did have a public discussion with him admonished me to say that well I shouldn't go there on Monday or Tuesday because naturally there were lineups after weekends. If one were to take that admonishment seriously this would mean that the citizen should only go to certain Autopac Centres two days out of the seven in the week. Now I know that there's a rotating system in the city, I don't know what happens in rural Manitoba, but for example, the Fort Garry Autopac Centre is open Monday, Tuesday, Wednesday and Thursday. I wonder what would happen if Autopac had competition. Certainly they couldn't get away with this. They would have to give service to the people, and they're certainly not giving full service to the people on a four-day week.

(MR. G. JOHNSTON cont'd)

In my experience with Autopac, and I've been there a few times, the last time I was there I waited for nearly four hours, there were at least 25 to 40 cars waiting all the time. Before I went in, I decided to wait, I went by the Centre for several days waiting to see if the lineup was going down and it wasn't, so in the interest of getting a borrowed car repaired, I took my turn in the line and waited four hours. The fellow ahead of me had waited on another occasion six hours, and he was pretty upset. He was a commissioned salesman making about \$5.00 or \$7.00 an hour, and when Autopac states how they've cut costs and how they made a small profit this year, I believe a lot of this profit was made at the expense of other people who couldn't stand up for their rights, who had to wait their turn, and it cost them a lot of money out of pocket.

Now when we examine how other business operates in Canada, or wherever, the supermarkets are open six days a week, the banks are open five days, the trust companies are open five, most businesses are open five or six days a week, and also at reasonable hours to serve the public, and I can't understand for the life of me why Autopac operates on a four-day week. When we talk to some of the employees of Autopac, I don't think they're that enamoured with a four-day week. I think it's a very difficult job for an adjuster to have to deal with the public continually, day after day. Usually a person is somewhat upset when he's had an accident and he's perhaps not in the best mood or he's not the most reasonable person to deal with, and an adjuster has a very very difficult job, and to expect him to work nine or ten hours at a stretch or ten hours in a day at a demanding job like that, I don't think he can perform effectively. I think that this should be re-examined, there should be more attention paid to the serving of the public need and also I'm sure that the employees in the adjusting side of the work are not completely satisfied with long hours under strain.

I have a number of suggestions to make. I don't see why in the busy periods when Autopac is operating with long lineups that there are not part-time adjusters that can be brought in. It seems ridiculous that people have to wait.

MR. URUSKI: Part-time adjusters . . .

MR. G. JOHNSTON: Part-time adjusters brought in, the same as the Safeway or any other supermarket brings in part-time cashiers in their busy period. They're highly skilled people, they're highly trained. It doesn't necessarily have to be a man, it can be a lady. They can keep up by manual and by being called in often enough, and I think the first consideration should be the people that are being served, not the union. If the union says you can't do this, well then I think the union is going too far because this is a public service that you are supposed to be operating. Now I have some other things to say, but I would like to hear from the Minister on some of the points I've raised.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: First of all, Mr. Chairman, the Corporation does not only open its claim centres on a four-day week. There's only one centre out of four in the City of Winnipeg that is utilized or open on a four-day week, the rest of the centres are open on a five-day week in normal working hours. The concept of having one claim centre open on a four day week was established over a long period of time, and of comments made by the motoring public and consumer that they would like to have a centre, or at least an outlet that is open after normal working hours, and this matter was dealt with in negotiations with our employees, and it was agreed that the fourth centre in Winnipeg would be open for a longer period of time than the average working hours in order to try and take into account the matters raised about time lost and time off work and where people who could not get off work during the working hours would have a possibility of reporting their claim in evening hours or after normal working hours.

Now we have, Mr. Chairman, this last winter experienced, for example, in the month of March, and I believe the member is speaking about the months of February and March, experienced practically the highest claims in our history, and when I spoke in the Legislature in answer to the honourable member about the lineups, we of course are concerned that there are lineups during certain periods of the year where numbers of accidents have been far greater than during previous months of the year, we are certainly cognizant of it and concerned about it. But you know, the member indicated and makes what I would consider an offhanded suggestion that there be part-time people. Although

(MR. URUSKI cont'd) the suggestion may sound very very valid from his point of view, the people involved in adjusting of claims have to have very intensive training insofar as the legal matters pertaining to a claim, that you just cannot pull a person out of - for example, he makes mention to Safeway and the like - their part-time people would be in, and I worked for a retail chain, would be in the line of either produce people or regular grocery people who would be involved in the stocking of shelves and handling of pricing that is already set down. In the insurance field, the matters of handling claims are not just as simple and as offhanded as the honourable member might want us to believe. The matter of handling of claims, although the procedure is very simple, is not as simple as he makes out.

Now in the previous year, during rush hour, before we had our fourth claims centre, we opened temporary claims centres to handle the large volume of claims prior to having our fourth centre. We felt that the fourth centre in Winnipeg now, during the major part of the year were adequate, but we are constantly reviewing that situation as to whether or not there should be additional claim centres or the possibility of having staggered hours, but the holding open of a claim centre on a four-day week I believe is a good concept because it is able to give at least 25 percent or at least one quarter of our volume, or of our capability of handling of claims, a possibility to attend a claim centre after hours.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, could the Minister tell us what the hours are at the various centres. Are there evening shifts? I don't believe so. The hours I thought that operated at the four-day centre were . . .

MR. URUSKI: There are no evening shifts.

MR. G. JOHNSTON: Well the Minister made comment on going to a four-day week so that they could stay open other than ordinary business hours. Could he give us the hours that they are open?

MR. URUSKI: Three centres are open 8:30 to 5 and the fourth centre is open 9 to 7.

MR. G. JOHNSTON: Nine in the morning until seven at night?

MR. URUSKI: Right.

MR. G. JOHNSTON: Well I still maintain that much of the savings that you have pointed to in your annual statement is made at the expense of the . . .

MR. URUSKI: Mr. Chairman, let's just examine the statement that you have made and I wasn't going to bring back - let's look back at the actual fact of the matter. While I acknowledge that there are certain portions of the year, and March and February were . . . he is absolutely right, the lineups were there where people had to wait, at occasion, three and four hours, I fully acknowledge that. And you know during approximately nine months of the year one might have an average of 10,000 to 13,000 claims a month, in that portion of the year we were arranging from 18,000 to 20,000 claims in the month, and that is really what has caused that.

If you look back at the system that has been established of the claim centres and have been now accepted by the private sector as being a very legitimate and excellent way of dealing with claims as per the old system where a motorist had to drive around, although he may not have sat in the one spot and had to wait three or four hours, he had to chase around to two or three garages in the city, which if there was a volume of claims that we experienced in March, may have taken him three or five hours to have his car estimated in the two or three garages that he had to go. So the time limit involved during that one month may have been at least as long, if not longer than has been the case of handling the claim through a claims centre, if you look back.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, through the Minister to Mr. Dutton. Is this the way the Saskatchewan operation is, that it's customary for the long waits at certain periods of the year or can management not come up with any solution, whether by way of overtime or part-time, or extra workers in those months? Because this is a serious problem, it's not something you say, well we're doing our best, we shrug it off and leave it at that.

MR. URUSKI: We don't shrug it off . . .

MR. CHAIRMAN: Mr. Dutton

MR. DUTTON: I agree, it is a problem and one that we have to come to grips with. One of the areas that really hasn't been touched on, and one of our problems, too, it's not just the physical properties which had to be built that took a little while, it was the training of staff. It's just not easy, the Adjusters are just not available, that's all, and we have to take people and train them and get them available. Now, in training you require again some backup support to get them trained, we're putting at the present time ten adjustor trainees on staff and they're going through an extensive training program. Okay, this cost us time, it doesn't increase our efficiency because we have to pull an instructor then from the Centre to teach them. But this we are aware of and we have been working the staff overtime, and maybe too much so because as you pointed out they get very tired after awhile and we have been working them in some of the centres regularly two evenings a week overtime. See, it's not only the time that we're open and facing the public, it's something like the banking industry, there's a lot of accounting and paperwork has to be done afterwards, so if they can't clear the paper, we can't get the cheques out and you get complaints from the other end. There are real problems, I think, Mr. Minister, we do have the physical properties now and we are going to take this slack period, so-called slack period in the next few months, to have sufficient trained staff so that we hope that this problem of long waits will not reoccur next winter, and I'm quite confident that they will come to grips with the situation.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Yes. I'm sorry I had to leave right when we got started, Mr. Chairman, I just wondered if the Minister could tell us, is the Board of Directors as listed in the front of the statement, has that changed since the report?

MR. URUSKI: Yes. The Board of Directors, Mr. Chairman, is presently . . . the Board of Directors is as stated.

MR. BLAKE: So there's no changes from Sigurdson, Wiley, Manchur and Carroll.

MR. URUSKI: That is correct.

MR. BLAKE: So you haven't added an insurance expertise to your Board of Directors.

MR. URUSKI: Mr. Chairman, when you're talking about insurance expertise I would submit the insurance expertise is sitting right . . .

MR. BLAKE: I was referring to the appointed Board, Mr. Chairman, not to the employees.

MR. URUSKI: Mr. Chairman, your comment, I believe, is in a vein of jest, but there are members on the Board who have had many years of experience in the insurance industry on the Board.

MR. BLAKE: Is that right?

MR. URUSKI: Yes.

MR. BLAKE: Which ones?

MR. URUSKI: Manchur, about 35 years as an agent with Portage Mutual.

MR. BLAKE: The experience of the other directors in the insurance field wouldn't be as great.

MR. URUSKI: No, no, specifically in the insurance field, no. They would have had some experience but not directly related to the insurance industry.

MR. BLAKE: I won't belabour that point. It appears that we may jump around a bit on the report, Mr. Minister. You discussed the financial report while I was out, or the method of reporting, and I wondered what consideration you had given to altering the fiscal year to coincide with the fiscal year of the province in order to avoid such things as, you know if you had undergoing . . . sub judice, if I might, if I talk about that particular item, but I wondered if you had given this active consideration or if you had taken any steps towards changing your fiscal year from October to March.

MR. URUSKI: Mr. Chairman, that's a matter that we haven't, in all honesty, actively considered doing it. There are two ways which it could be handled as I see it; is either coinciding our financial year with the licence renewal period of February 28th in

(MR. URUSKI cont'd) one year and/or the fiscal year of the province. I know that if we were to coincide our fiscal year with the registration year it would pose some hectic problems for our accounting staff, because at that same point in time whereby the Provincial Auditor would have to complete our audit, we would also be handling large volumes of renewals and money and the changeover so there would be a great volume of work at one period of time. We'll probably be looking at it more seriously, but as far as contemplating in the near future any change of our fiscal year, we have not.

MR. BLAKE: As I say it is a matter of accounting and while it may be satisfactory to yourselves in presenting a complete financial picture, it's very confusing to someone outside of the operation to try and fathom the transfer of funds from treasury department in and out.

MR. URUSKI: Only if one was trying to make something out of it, but I believe if the Provincial Auditor who is a servant, not of the corporation, but of the Legislature, provides the necessary background information, I don't believe that it is a very hard matter to understand.

MR. BLAKE: I don't want to give you any ideas, but if you happen to have a bad year, if you were to make that change it would sure fudge the statement up for anyone to detect what was the output.

MR. URUSKI: We're in a position of you're damned if you do, you're damned if you don't, because if we were to now change our financial statement and add another four months to it, we are in the position of saying, well what are you hiding in the next four months that . . .

MR. BLAKE: You'd get some questions. What you're telling me, it's not going to be changed this year, it may at some later date be . . .

MR. URUSKI: It may at some later date, but basically as far as the accounting methods of handling the paper flow, I believe that it being spread out as it is now makes it much easier on the accounting systems that we have in handling the paper flow throughout the year.

MR. BLAKE: Mr. Chairman, if I might just, a final comment on your remarks to Mr. Johnston's question about the extremely heavy times at certain periods of the year where you experience lineups. You know this can be anticipated and I find that a bit of a weak excuse in not having enough staff, because if you anticipate this rash of claims every year that this can be anticipated. If you had a business firm where you had a certain rush period you would plan ahead steps to lay on extra staff or overlap your hours or lay on overtime or something to clean the backlog up. And I suppose you're doing the best you can, but I just wanted to make that comment.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: It's a case, Mr. Chairman, if I may, I think the Minister mentioned that March was the heaviest month we've had at 20,000 claims, you know a lot has to do with what happens to conditions of the city streets in the wintertime. You have icy conditions and you're in for a lot of problems. Now if we were to backup to square one, we didn't have the properties, we didn't have the staff, we didn't have the experience to know just how heavy the claims would be and it's not a simple matter to just produce four claims centres the nature we have, even to obtain the land is very difficult in the City of Winnipeg, that is properties owned for the purpose, and also to make sure that it's placed in a position, where it would be convenient for the motoring public. I was trying to say that we do have these properties now, I believe that the four that we have should suffice for the foreseeable future, maybe some changes made in them, and during the period of time last winter to take some of the training staff out to train other staff would have complicated the issue at that time, on the long term sure it would have been fine, but on the short term basis it would have meant that the public would get worse service if we were using these people just to handle claims. But now, as I mentioned, we just put 10 trainees on the staff and we have more coming up with the training program and we're using this period that is rather slack to make sure that this coming winter that we will have sufficient staff along with the actual physical properties which we have just obtained.

MR. BLAKE: If we were to forecast for you next March when we were going to have icy conditions and blizzards and when the city was going to sand the streets would that be helpful in planning . . . ?

MR. DUTTON: It would be helpful to Autopac and I'm sure to the City Council too, they'd know what to do with the Budget.

MR. BLAKE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Mr. Chairman, I would just like to get the assurance from the Minister that the Corporation won't change its method of accounting again in order to show a surplus at some future date.

MR. URUSKI: Mr. Chairman, we've just gone through the discussion with respect to changing of the annual year and I'm sure that if we were to do that, the same or similar type of accusation may be made at that point in time. But the procedure that was adopted, and I repeat, is acceptable and even acceptable to the honourable member, so that whether or not he may not like the method used, it was highlighted and perfectly stated before the statement was made in the Annual Report. It was head-on right in the financial reporting policy in the forefront of the report so that we would not be accused of hiding something. Nothing in the report was put in such a manner that you would have to dig around. It was highlighted in the financial reporting policy before you got into the actual figure so that it was wide open as to the change made, and the change that was made was accepted and is generally a part of the generally accepted accounting principles.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Mr. Chairman, through you to the Minister. I'm not disagreeing with the changeover in accounting, it just so happens, and the Minister did admit it, that by changing the method of accounting was the reason they showed a surplus.

MR. URUSKI: We did state that.

MR. STEEN: And I just want that to go on the record.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSON: Mr. Chairman, I just want to ask the Minister a few questions in connection with the discussion that was raised by Mr. Blake in connection with the closing of the fiscal year - at the present time they close on the 31st of October. How long does it take to prepare that report?

MR. URUSKI: I believe the report was presented to us some time, was it in March? At the beginning of the opening of Session. Now at the time that the corporation closes its books, an in depth audit is conducted by the Provincial Auditor of not only of the procedures but also of physical check of files and the likes. The Provincial Auditor was not completed with his audit until when? About January?

MR. DUTTON: In January some time, Mr. Chairman, completes it. I don't think the Provincial Auditor can answer this much more readily than I can, but I don't think it would be necessary for him to take that full period of time at any time. But he has time; you see we don't have to table this report in the Legislature until 15 working days after the Session opens. And as you know, Sir, the opening leaves us then two months or more to prepare an Annual Report to get out. And so they take their time, and in particular what they look at is, you know, late reporting of claims, and so we have a proper run-off of that. If you didn't do it this way and you wanted a report in a hurry to be tabled in the Legislature, then he'd have to make an estimate of the unreported claim, but as it is, they pretty well take a run-off. Their claims are in and they actually show them there, whereas the books are really closed on the end of October, the actual amount for unreported claims are what he knows is coming in.

MR. JORGENSON: That was precisely the point that I was going to make. The closing of the fiscal year at the end of October gives you sufficient time to complete the report so that it is available in the designated time after the session. What happens if the session opens around the 1st of January? That would give you two months. Would you be able to . . .

MR. DUTTON: Well certainly, the reports would be there.

MR. JORGENSON: You can prepare that report then within a two month period?

MR. DUTTON: Oh yes.

MR. JORGENSON: Could you prepare it in less time than that?

MR. DUTTON: How long?

MR. JORGENSON: What would be the minimum amount of time required after the closing of the fiscal year until the report could be prepared for tabling?

MR. DUTTON: Well as far as we're concerned I can answer that. I will in just a moment. Two months would be the maximum.

MR. JORGENSEN: The maximum amount of time or the minimum amount of time? You require at least two months?

MR. DUTTON: No, no. We don't require any more than two months.

MR. JORGENSEN: I see.

MR. URUSKI: But it really depends on the type of extensive check and extensive audit that is conducted by the Provincial Auditor.

MR. DUTTON: If he is given a lengthy period of time after closing, so he does a complete run-off and extensive audit annually.

MR. JORGENSEN: So if the fiscal year were to coincide with the government fiscal year, that is the end of April, the chances are we wouldn't see that report till the following year.

MR. DUTTON: Mr. Chairman, that is one of the problems that is a possibility.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Yes, Mr. Chairman, to the Minister. Since the inception of public insurance, the premium income has more than doubled. Can the Minister tell me if this is the case in other provinces? Has the premium income in other provinces in a span of five years doubled?

MR. URUSKI: Absolutely. Absolutely.

MR. DUTTON: If I may, Mr. Chairman, the situation as it relates to automobile insurance is similar throughout the country. Not only in the premiums going up but also in their claims and also the losses too. There's a similarity across the country, inflationary trends have really hit them very hard. It's not unique to Manitoba.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: An item that was brought to my attention recently which I wanted to ask the Minister about was that if a Manitoba motorist, he's out of the province and was to loan his car to a non-resident of Manitoba, I am told that that car is no longer covered by the Public Insurance Corporation for insurance purposes.

MR. URUSKI: Mr. Chairman, provided that the person who drives, to whom the motorist loans the car, is properly licensed and is qualified to drive, then the insurance coverage doesn't change.

MR. DUTTON: As a matter of fact, Mr. Chairman, even if the person that is loaning the car has reason to believe the other individual is properly insured and licensed, then the coverage still remains in effect. About the only time the coverage is void is through impairment from drinking and an unlicensed motorist. However, if you're loaning your car to a person at the time he's sober and later on he gets a little bit too gay and he's impaired when he wrecks it, you as the owner or the motorist are still protected because you have no control over what he is going to do during the period of time that he has the car. It's only if you're knowingly loaning it to someone who doesn't have a licence or who is impaired at the time.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Are all passengers - through you, Mr. Chairman, to Mr. Dutton - are all passengers in such a car covered?

MR. DUTTON: All passengers covered, all passengers of the car would be covered. If I just may, Sir, we do have one of the largest - the largest claim we have occurred exactly like that in Ontario and it is still in litigation as a matter of fact. It was a car that was loaned to another Ontario motorist who was impaired, had a serious accident and had a number of professional athletes who were ruined for life in that car, and that is a very costly situation at hand.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: I notice, Mr. Chairman, that the Public Insurance Corporation spends a fairly healthy dollar on promotion and advertising. I wonder if the Minister, if it's his intention to replace Don Jonas after he leaves our fair province.

MR. URUSKI: Mr. Chairman, frankly, I am - first of all I am sorry to see Don Jonas go. The Corporation had received the services of Don Jonas on a contractual basis which I believe was more than favourable from the Corporation's standpoint for the amount of work and the good work that Mr. Jonas did for the Corporation.

(MR. URUSKI cont'd)

The amount of money that is spent by the Corporation - we can probably deal with that in detail when we go through Page 24 of the Corporation when we're dealing with the actual expenses incurred, and then we could go through item by item and you can get more detail on that. We'll be prepared to provide that, or the exact amount we do spend in what areas. But I think the statement you have made, I'll be able to give you exact information in detail as to what areas we cover in advertising for the last year.

MR. CHAIRMAN: Page 4--pass; Page 5--pass; Page 6--pass; Page 7--pass; Mr. Steen.

MR. STEEN: Just a question on Page 7, Mr. Chairman. Item 2. Gasoline premium of 2 cents per gallon That brought in, in about a seven month period, I'm led to believe, around \$3 million worth of premium income?

MR. URUSKI: Approximately 3.2 million. I have it broken down fairly accurately as to the amounts of money each of those segments came in revenue to the Corporation. The additional revenues were approximately 3.9 in Point No. 1 of the rate changes, and approximately 3.2 million in gasoline; and the general rate increase on basic and extension insurance was approximately 8.5 million; and the \$5.00 increase in driver's licence in Point 4 was approximately 2.3 million - that includes Point 4 and 5 the total of the new drivers and the increase - and 6, the 25,000 additional vehicles brought in a premium of approximately 2.5 million. So that if you look at the actual amount, the rate increases were approximately \$12 million and the premium income in the previous year 48 million, or approximately 25 percent increase, and the additional amount from 12 to 20 million in additional is as a result of new business and additional coverage purchased by motorists.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: A question to the Minister. What does the Corporation feel that the average Manitoban is paying in the way of gasoline tax...two cents per gallon. Have you any averages?

MR. URUSKI: The average that we show in our normal comparisons is under, the Preferred rating I believe is shown as \$9.00, on Preferred use, and \$13.00 on All Purpose, and business would be higher. There are relatively few insurance policies of business use. It's less than, I think, 50,000. Yes, it's a very very small minority.

MR. STEEN: I was just going to say therefore on the person that's using the car for going to and from work, it's the Corporation's feeling that they're using around 650 gallons of gas a year.

MR. URUSKI: I know the preferred - oh yes. About 7,000 under Preferred and 10,000 miles on All Purpose of approximately 15 miles to the gallon, I believe.

MR. CHAIRMAN: Page 7--pass; Page 8--pass; Page 9--pass; Page 10--pass; Page 11--pass; Page 12--pass - Mr. Steen.

MR. STEEN: A question to the Minister. He mentioned earlier, or either Mr. Dutton or the Minister did, that they're reducing their administration costs. Can he tell me, is this because of getting through the period of growing pains that is primarily the reason they're reducing the administration costs? Or are you cutting back on commissions to agents, or is the commission scale the same today as it was on the day you started?

MR. URUSKI: Mr. Chairman, the commission to agents was written into the regulations from square one and it did say that after that second year the commission would remain at 5 percent on the basic Autopac, and it has remained that way and there's no changes, nor any changes in the extension which is a higher commission rate of 10 or up to 12½, it depends upon what type they have, and that commission has not changed at all. What we are saying is that the administration cost percentagewise has been reduced. And I can assure you that with an administration cost of around 17 cents on the dollar, 17 percent, it means that we can operate with a loss ratio of around 80 percent and still make a surplus. And that is a pretty good return because in our expense ratio, includes our adjusting and legal, all commissions and taxes to the government and to the municipalities and the cities, which we pay on a full basis.

MR. CHAIRMAN: Page 13. Mr. Jorgenson.

MR. JORGENSEN: On that chart you have indicated that vehicle insurance premiums represent 80.8 percent of your total . . .

MR. URUSKI: Would you speak up, Mr. Jorgenson, please.

MR. JORGENSEN: . . . on your total gross income. What does that driver's insurance premium amounting to 12.3 percent constitute?

MR. URUSKI: In dollars?

MR. JORGENSEN: No, just what does it mean, driver's insurance premium?

MR. URUSKI: That is the premium on the driver's licence, Mr. Chairman. The insurance premium levied on the driver's licence.

MR. JORGENSEN: Now you also collect money from drivers whose licences have been increased considerably as a result of violation of the Highway Traffic Act.

MR. URUSKI: Of convictions . . .

MR. JORGENSEN: Of convictions, yes. Is that included in that amount?

MR. URUSKI: Yes.

MR. JORGENSEN: How much would that amount to?

MR. URUSKI: I'll get you the exact amount for last year. We'll take that and provide it for . . .

MR. DUTTON: You're referring to the surcharge on a driver's licence.

MR. URUSKI: I'd like to know, yes. I'll get that clear if I can. There are two surcharges of course you're aware, one for accidents and one for convictions. We could get you both.

MR. JORGENSEN: There's three of them really. There is the general one, which is applicable on all driver's licence, then there is the . . .

MR. URUSKI: What we will get is the complete picture, and Mr. Blake sort of mentioned as to what the surcharges or the additional premium for demerits is, is it six, seven, eight, nine and ten? We'll get you that rating, and the total figures and we'll break everything down.

MR. CHAIRMAN: Fine. Then the Chairman has undertaken to make those figures available to the committee.

MR. URUSKI: To all members, yes.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: I would like to ask the Minister or through you to Mr. Dutton, Mr. Chairman. The driver's premium insurance which accounts for 12½ percent of the dollar, what are these premiums used for? Are they earmarked for specific purpose or do they just go into the General Fund?

MR. URUSKI: They are part of the total package of insurance, except commercial . . .

MR. DUTTON: They go in the basic Autopac, they don't go into the extension coverage or the commercial.

MR. URUSKI: Into the basic compulsory package.

MR. BLAKE: Well, it would seem a little cumbersome. Would it not be easier to just have this on your insurance premium and left your driver's licence at, say, \$5.00, or whatever the case may be, instead of putting it up to \$13.00 to \$18.00 to \$20.00 or \$21.00, and leaving your premiums at \$5.00 less or \$10.00 less.

MR. URUSKI: Well, it's a matter of this way or that way. But the institution of drivers' insurance premium primarily, it has some very significant aspects as to what

(MR. URUSKI cont'd) it really relates to. I'll give you an example, and it has come into play in several instances that I am aware of where, for example, you might loan your car to myself and unknowingly you may have invalidated your coverage either by paying an NSF cheque or some way that you still had the plates but your coverage was suspended. I take your car unknowingly and I am involved in an accident of which I may be liable, and then I find out that there's no insurance on the car, in that instance I'd be fully protected on the basis of my driver's insurance, and every motorist would be protected on that basis.

MR. BLAKE: They'd go on Unsatisfied Judgment Fund then, that's basically. . .

MR. URUSKI: No, no, no.

MR. BLAKE: There is no Unsatisfied Judgment Fund, no.

MR. DUTTON: No, no, I say it's like that. But it makes the premiums look a little sweeter when you knock \$21.00 or \$30.00 off every driver and put it in a separate pot and charge them a little less.

MR. URUSKI: Mr. Chairman, the intent and the principle of driver's insurance is sound and I believe the way the premium payment is accomplished is, of course, in eleven of the twelve months it is accomplished by a motorist having his premiums spread out throughout the year. Only in the month of February, the persons in the Province of Manitoba who have their birthdays in February, of course the premium payments are combined at the same time.

MR. DUTTON: I should mention too that he does get a certain amount of insurance protection through having insurance on his driver's licence. To give you an example of what happened: In other provinces the financial responsibility limit varies. It's \$50,000 here, as it is in Ontario but in some provinces in this country it's \$35,000. We had the case of a motorist driving a vehicle which only had the mandatory amount of \$35,000 and an accident occurred and the \$35,000 wasn't sufficient to cover the award or the judgment, and now the insurance under the driver's licence takes up the gaps there.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Can the Minister, Mr. Chairman, give me a breakdown of the surcharges charged through the driver's licence?

MR. URUSKI: We'll get that for you.

MR. STEEN: He has undertaken to provide that . . .

MR. URUSKI: Yes, the various . . .

MR. STEEN: Can I ask a question to Mr. Dutton? In years gone by when the private insurance carriers were in business they used to charge the young driver a higher rate than they charged older persons, based on a risk factor. Is that risk factor still the same today? Are the young drivers still a high risk or are young drivers becoming more mature drivers in this day and age?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, there's no question that the young driver under 25 years of age is involved in more accidents than the more mature driver. The statistics have not changed appreciably other than perhaps it's the young male driver that is the one that really seems to get into all the trouble, but the female driver the ratio is increasing now, too. And you'll find that I think is constant throughout the country and you'll find that it is not really changing, that the young driver is driving or being involved in less accidents than he was in the past. As a matter of fact I think if anything it is increasing, they're getting a little worse throughout the country.

MR. URUSKI: The basic principle of rating has changed in that the private sector charges before the fact and the public sector or the principle that is used under our plan is that we charge the surcharges after the fact on the individual basis of his driving record and his performance after the fact.

MR. STEEN: Therefore, Mr. Dutton, all the moneys that are being spent by all levels of government on drivers' safety, and I mean each and every province and each and every state in the United States, it must be rather discouraging if the results for young people are not improving.

MR. DUTTON: It may be considered discouraging but what would be the results if there wasn't any driver training? Would it be that much worse? And in addition,

(MR. DUTTON cont'd) my personal view is that driver training should be mandatory in high schools. I believe that a person, every individual feels surely that he's going to own a car some day and he's going to drive it, and he's got really a powerful weapon when he's sitting behind the wheel there, and I think that he should be compelled to take high school driving. But again I'm giving you my personal opinion and I think that what is happening is that there's no such compulsion anywhere that I know of; they encourage them to take it, and I think that a young fellow watching his father drive and he feels he can drive just as good as the old man and he's probably picking up all the bad habits that his dad has, too, in driving. And I think if something like this was done maybe the young person would realize a little more about just what problem he can get into.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Yes, Mr. Chairman. I just wanted to make a comment on that, on young drivers, and I agree, I think some type of training should be in the school curriculum. I think it's excellent for them. Has there been any consideration to some benefit premium-wise for someone who has taken say a driving course, or especially a defensive driving course? And also there are rumours coming out of high school every now and again, and I have teenagers and one that can hardly wait till next October when he's 16 - I don't know what for because he's sure as hell not going to get my car - but rumours keep flying around there that they're going to increase the age for drivers from 16 to 18. Are these rumours unfounded or has there been some consideration given to this?

MR. URUSKI: Mr. Chairman, to follow up what Mr. Dutton has said, there is discussions going on now between MPIC, the Motor Vehicle Branch Safety Division, and the Department of Education in an endeavour to establish or iron out some parameters that may be possible, or some recommendations that may be possible to institute a driver education course on an optional basis, or maybe a credit course or some type of an additional course in the high schools than is available at the present time. There is in some schools, as you are no doubt aware, in high schools that there is an optional course that is taken primarily after school hours, but there have been problems with that. I believe general statistics have been is that the ones taking the course are the ones generally that are the more conscientious and better drivers than the ones not taking it, the ones that would have a worse driving record. So that we are looking at ways and means, and the corporation itself would commit itself substantially in terms of insurance dollars to promote a driver education course. We now put in substantial dollars into the Defensive Driving Course in the Province of Manitoba. We have also recently produced and it hasn't been released as yet, produced a safety film dealing with insurance matters and dealing with highway safety in the Province of Manitoba. It was produced locally by a local producer in Manitoba made on the Manitoba scene and I believe that the movie - I have just seen it within the last several weeks - and I believe the film is excellent, and in fact if members would want to see it when it is released we certainly could make it available to members of the House for some evening showing or some time that we could arrange a time for that.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, I wonder if the Minister would care to comment on an increase in the drinking age.

MR. JORGENSEN: I wonder if I may just pose that question a different way. I had a better way of asking the question, Mr. Blake.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSEN: Well, if you might just permit me because my question was going to be along the same subject. Mr. Dutton has offered an opinion on the value of compulsory driver training, and I think it's a valued opinion because he's in a position to know; he's also in a position to know the impact of the lowering of the drinking age on the increased incidence of drunken driving. He's indicated that there seems to be an increase now in the accident rate amongst young drivers, male drivers; also an increase in the incidence of impaired driving or accidents amongst female drivers. Is there any way that can be related to the lowering of the drinking age, or do you have any figures to substantiate that belief?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: No, Mr. Chairman, we do not have any figures that would tie it in definitely to the lowering of the drinking age. But however, there's no doubt in our minds that a good percentage of accidents there is drinking involved. A lot of the people a lot of the time too, a person honestly believes that impairment didn't create the accident because they think they can fly when they've had a few drinks. But there's no question that drinking is involved but for us to say that we could tie it in with the lowering of age would be an impossibility and it would be just a guess that's all, and yours would be as good as mine, Sir.

MR. JORGENSEN: But you have offered an opinion on the value of compulsory driver training in schools.

MR. DUTTON: Yes.

MR. JORGENSEN: Perhaps you could also give an opinion as to what you feel the drinking age, we should have as the drinking age.

MR. DUTTON: Well, I'm from Saskatchewan and I liked what they were doing there just recently.

MR. CHAIRMAN: Mr. Petursson.

MR. PETURSSON: Mr. Chairman, . . . newspaper that stated that . . .

MR. CHAIRMAN: Would you take the microphone please?

MR. PETURSSON: Sorry. Yes, an item in the newspaper appeared just a short time ago stating that the 65 year olds were second only to teenagers in the incidence of accidents. Are there any figures or any statistics to indicate that?

MR. DUTTON: No, Sir. Mr. Chairman, we have found that the senior citizens, if you wish to call people that are over 65, are good risks indeed when it comes to driving. If they get up to ages in their 70s, and so on, they do create problems at times. But the actual ratio, and we have it broken down with the age groups, we find these people are the type that make us happy to insure them, Sir.

MR. PETURSSON: Mr. Chairman, is that because there are greater restrictions on people in that age group, that the increased numbers of health reports, stricter eye tests, and things of this sort?

MR. DUTTON: No. Mr. Chairman, I would believe that there are no increased restrictions per se, only in some instances, of course, with respect to any medical impairments that may be reported. But that would follow irrespective of the age. In other words, if you were 40 and you had certain medical impairments, the restrictions on you at 40 would likely be the same as for you at 65 or older. But the medical requirements will probably be standardized pretty well with the coming forth of the class licence system, depending on what class you have.

MR. CHAIRMAN: Mr. Petursson.

MR. PETURSSON: You're not discriminating against me then because of my age?

MR. DUTTON: I don't believe so. I don't believe so.

MR. CHAIRMAN: Mr. Jorgenson; Mr. Steen.

MR. STEEN: Mr. Chairman, Mr. Dutton has mentioned that he personally favours compulsory driver training in the schools, which is a view I share. Perhaps we as members of the Legislature can offer some support to the Minister in dealing with Gentle Ben, and I mean Gentle Ben the Minister of Education and not the man who manufactures beer, and we can perhaps some day see the day come where compulsory driver training is offered as a part of the education curriculum.

Mr. Chairman, I am very pleased with the statements made. I would hope that the honourable member has, or his colleagues share his views. But you know, going along that vein, I would hope that also he could express and be able to convince some of his, and maybe even my colleagues, with respect to the compulsory aspect dealing with motorcycle helmets that this Legislature has failed to pass I think in four attempts in the last 10 years. --(Interjection)-- Well, that is another issue.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, I just wondered while the Minister was contemplating an answer to a question I posed earlier, I just wondered if he had contemplated enough yet.

MR. URUSKI: Mr. Chairman, I believe the policy undertaken by this government, I believe there are always - it is not a hard and fast policy, that if there are

(MR. URUSKI cont'd) indications that this should be changed, that I'm sure we will look at it. But I personally, you know, I can't give you my - I'm not what would be known as a pub-goer to tell you that the incidence of 18-year olds versus say 19-year olds is any greater now than it ever has been, because I know in my day my colleagues were trying to get into the pub at 17 and 18 when the age was at 21. So I don't think the situation has changed very much.

MR. CHAIRMAN: Page 12--pass; Page 13--pass - Mr. Blake.

MR. BLAKE: Yes. On the general insurance division there are some questions there. I wonder, on general insurance how many applications for insurance have been refused, or do you join with other companies in co-insurance, or have you had to refuse many applications for insurance?

MR. DUTTON: We have declined, Mr. Chairman, a number of applications. Obviously not every risk that's submitted is one that we feel that we can take, particularly in the tender years of the corporation, we haven't got a large volume of business, so we do have a number. I haven't got the figures with me. I didn't bring them. I could obtain them of course. But we also join with other private companies on subscription policies, in other words, with our name attached to the same policy for a percentage as the industry does. It's common practice.

MR. BLAKE: Yes. The ones declined, Mr. Chairman or Mr. Dutton, would be in the high risk, what we consider in the insurance industry as high risk situations?

MR. DUTTON: Yes. There'd be certain deficiency factors involved what may be termed as a high risk. As we know there are certain physical changes that can be made to a risk and changes from a high risk type of business to acceptable areas, for instance, CO₂ extinguishers in the hoods of the cooking units in restaurants and so on. This is just an example. But it's to this end, we do have a loss prevention department with qualified engineers who make these recommendations, and where some of these are turned down initially; if the changes are made they then become acceptable. And I think that this is good for all parties concerned. But there are some that are simply turned down because we want to take our share but we'd have to be very careful in getting a disproportionately large amount at this early stage.

MR. BLAKE: Is there a substantial savings - just the example that you cited in the cooking hoods in restaurants, where there is a stand, or whatever you want to call it, attached to living quarters, there is an extremely high insurance rate - is there a fairly substantial reduction in premium if all of the recommended safety features are incorporated in the restaurant end of it or whatever you want to call a stand end of it.

MR. DUTTON: Yes there is substantial reductions involved. For instance, if your living quarters are near a restaurant, too, one of the ideas that we try to promote initially, and I think it's a good idea, it's an idea from safety, is to for instance to give a reduction in the ordinary habitational risk for smoke detectors. If you know the number of people who die in fires each year, and usually in bed asleep, and if they were only aroused by some means - you continually read in the paper where a dog's barking will wake them up and get them up. Well if you don't own a dog, he's not going to bark, you could be in trouble. But these smoke detectors are there all the time and we give a discount for that. Now when it gets to commercials of course, you can combine a number of things, smoke detectors, the CO₂ extinguishers along with a fire sprinkling system, could mean a very substantial reduction in rate.

MR. BLAKE: And don't sleep with Smokey the Bear. Mr. Chairman, another question on - just going back to auto rates for a moment, there's different rate categories, I'm thinking farm insurance and other farm rates and other, there's a case that came to mind - it's a constituent of Mr. Graham's actually - whereby he totalled, or his car burnt up on the road on a Saturday, and he was driving under a farm insured vehicle and he owned a farm but he didn't farm it, and his claim was disallowed for that basis, and I just wondered, do you run into many of those? Is there an onus on the agent to say to the fellow, you know, hey Charlie you know, you're not farming, you can't have a farm rate, you can't have this rate for your insurance. You know, the fellow innocently enough has been insuring his car for several years and even since he's quit farming he's just gone on and insured his car year by year and all of a sudden he's got no coverage.

MR. URUSKI: Well, Mr. Chairman, first of all there have been incidents in this vein, and we are considering an advertising campaign - primarily there have been

(MR. URUSKI cont'd) a number of instances where motorists have moved from rural areas into the urban centres where the premiums are somewhat higher, and have not changed their addresses. They have continued to utilize their residence address, or so-called residence address in a rural area, and we have had a number of claims which we have denied when they have gone through a renewal period and continued to utilize the same residence address, and we have denied the claim. Those are some of the instances that we have. The use that a motorist registers his car under is of course pretty well dictated by the Highway Traffic Act, as is the address component where you have fifteen days to change your driver's and vehicle registration address, both for insurance purposes and for the Highway Traffic Act, under the Highway Traffic Act, so that we use that requirement. In the area of the case that you cite: I'm familiar with it to the extent that that motorist declared that he had not farmed for several years, was working in a local community, although he was living in a rural setting, but his employment and income was not off a farm, that's what he declared to us. I understand in speaking with your colleague, that's not quite the information that he gave, but in the declaration that was given to the corporation was as such, and on that basis he should have had All Purpose insurance on his vehicle.

MR. BLAKE: Mr. Chairman, to the Minister. Would his risk on the road as a driver been any greater the fact that he was working in town or still working the farm and coming to town everyday for his groceries or something? His risk on the road wouldn't be any greater, would it?

MR. URUSKI: Well his risk on the road as far as driving to and from work would obviously, if he was commuting daily a fair distance rather than working at the same place as his residence, would obviously be somewhat greater, because he would be travelling a greater distance on the road.

MR. BLAKE: But some fellows have farms that are five and six miles apart and they would commute back and forth to them.

MR. URUSKI: Yes, that is, you know there are anomalies: in respect to that of course. You will find a number of people living, for example, in Headingley or Selkirk beyond the bounds of the perimeter of course use Territory II rating and yet they work in the City of Winnipeg, and those instances are . . . but in declaring the use as defined in the Highway Traffic Act, we follow that as far as insurance coverage is concerned.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: I'd like to ask the Minister why the government has gone into the general insurance field? I know why they went into the automobile insurance field, because of the public resentment towards the private carriers of some five or six years ago. Is that same resentment there towards the general insurance people in the private business? Is that why you're in the general business?

MR. URUSKI: Mr. Chairman, you'll find increasingly so, and in my statement I indicated that with the loss ratio suffered by many companies, many companies have consolidated their business and in areas where they excelled, national companies have pulled out not only of Manitoba but all across the country. The Corporation has a mechanism in place in respect to administration and is able to offer a capacity to the agents and a market and that is one of the main reasons that we have gone into the insurance end to provide a capacity to agents of insurance market.

I can tell you from the amount of inquiries that agents are having a difficult time. Unless you are a very large agent and command a number of small ones under you - if you are the other type, if you are a one-man agent you have a hard time placing your business within the last number of years. I can tell you we have been able to assist numerous agents who have for example been able to devote their major portfolio of business to the Corporation in handling all their business. We have been able to offer a great capacity to the agents of the Province of Manitoba.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: One further question. Agencies that receive grants from the Provincial Government - I'm thinking of housing organizations and so on - are they compelled to buy their general insurance from the Public Insurance Corporation?

MR. URUSKI: Mr. Chairman, all housing handled through the Manitoba Housing and Renewal Corporation is placed through the Corporation.

MR. STEEN: All other government buildings that are insured, are they placed through the . . .

MR. URUSKI: The Provincial Government in most instances of government buildings is self-insured. It has built up a fund over a number of years. The Corporation handles some excess insurance over a base amount but the basic self-insurance principle hasn't changed.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Mr. Chairman, I'd like to get back to the issue that was raised by the Member for Minnedosa. I become a little concerned when maybe through the ignorance of the person who has applied for insurance and maybe through ignorance on the part of the person who is selling the insurance, the man believes he has coverage and then finds out that he has none. I would like to ask if the Insurance Corporation has ever considered maybe a saw-off in saying to the individual involved that because you have a wrong rate, you should have been paying twice as much. Therefore we will only give you half of the coverage when it comes time for it. I would like some comments. Have you ever considered that? Because maybe it was an innocent error and as such, if he should have been paying twice the rate when it comes to a claim, maybe he should only get half of the coverage.

MR. DUTTON: Mr. Chairman, I am of the view that if it's an innocent error on his part, really not helping him too much, but paying half when he felt he should be getting the full amount, we have made full ex gratia payments in a number of instances wherein it is defined that it was somebody else's fault, it was not the claimant himself. In other words an agent erred. An agent actually gave him the wrong information. Now the motoring public shouldn't be penalized in a case like that. The agent is the person that should be taken to task.

We have been having and are constantly having and there's a review under way right now with both agents' associations regarding this problem and pointing out to them that we are paying them a commission, and I think they're making a reasonably good living out of it, that they are expected to know the coverage completely and to give the correct information to the motoring public. We are presently trying to work out some arrangements wherein if this type of an error occurs that the agent becomes involved too in the settlement of the claim. I'm talking about in a financial way either through carrying an errors and omissions coverage which is very difficult for them to obtain these days or some other arrangements that we can make.

But we have not gone to the basis of thinking that if a person has only paid a portion of his premium that he would be paid back in the same proportion of the claim. He will become a co-insurer, in other words, is really what you are suggesting. We haven't really considered it as yet.

MR. URUSKI: That really in effect could eventually become an enticement to carry half insurance if that kind of a policy would be carried on.

MR. GRAHAM: Mr. Chairman, in this particular case that we're dealing with it wasn't a case of an accident or anything, it was a case of destruction of his vehicle by fire. I have checked with other insurance companies and in every case that I was able to get any information, while the person paid a varying rate for his third party or his collision, depending on the usage, the insurance rate for fire was the same regardless of the usage the vehicle was put to. Now I don't know whether your department in your rate structure, in your compilation of your rates whether you have various rates for fire depending on the area that a person lives in or the use the vehicle is put to, I wouldn't know. But if you use a constant fire rate factor, the fact that he had the wrong rate for collision purposes doesn't seem to add up to me.

MR. URUSKI: Mr. Chairman, I spoke to the member on this. I'm always open to any new information that may come through a case but he's commenting on the specific aspect of it. When the rates are established the rate is all inclusive as a package and we would not handle a claim on portion of the package rate, in other words say we will deal with the fire portion in one way and we will deal with the collision in another way. When it comes as a package, as a rate package, we will handle the claim as a package and not be able to say, well for fire purposes we'll give you coverage even though you had wrong use code but for collision purposes we will deny you. The insurance coverage is all

(MR. URUSKI cont'd) inclusive in the basic package irrespective of what rate it may take. It's based on the use of the vehicle not of the type of premium involved in the basic rate.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Mr. Chairman, maybe it is only through having cases being brought to the attention of the Corporation that changes can possibly occur. It is through review of the cases that have come to their attention and that that the rates are established. Sometimes I find that, because of maybe some discrepancies that have occurred, those things are later tightened up. We also find that in the meantime those that were the victims quite often feel that they were not dealt fairly with. Retroactivity, to me, in legislation is not something that is desirable but in the treatment of cases where a person has paid his premium not because he wanted to but because the law said he had to, and there-in lies a difference too. It's no longer voluntary. He must, if he's going to drive a vehicle at all, he must insure with the Corporation. The Corporation sets the rates. He paid the rate that was - I don't know, it may have been the wrong rate. Obviously you think it was. Maybe he was aware that it was the wrong rate and maybe he wasn't. I have no way of knowing. I don't think the thing has ever gone to court to find out whether that area has ever been firmly established. I think that the Corporation has an obligation to insure that because insurance is compulsory, that those that purchase it are dealt with fairly, I think that is implicit. If you in your own mind honestly believe that this man has been treated fairly, I have no further quarrel. But I'm not too sure that he feels that he has been treated fairly.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: First of all, Mr. Chairman, the Corporation is very cognizant of areas whereby discretion and problems do arise. and it's been pointed out by the general manager that we are reviewing our procedures with respect to the agents and type of coverage and the advice that agents may give. We have paid claims where it was clearly established that wrong advice was given through an agent to a motorist. But irrespective of the insurance being compulsory and handled through the Corporation, it would be no different in any province, if the insurance is compulsory, whether it be through private or public. Where there is a breach in respect to use, a denial of coverage would be maintained. Whether or not it would be MPIC, in this province, or the private sector having compulsory insurance coverage in any other province, the definitions of use would still be followed irrespective of where you go if the coverage is to be provided.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: I have one further comment and this is directed more to the Chairman. I think he made a statement where they're looking at either insurance of the agents and the possibility of the Corporation trying to collect or make the agents semi-responsible or something of that nature. I have to say this: that I have viewed much legislation in this province that when you read the legislation there'll be a clause in there which specifically excludes members of commissions, or members of the government from any responsibility for their actions. There are numerous cases of legislation which cite that and if there is going to be change in the Public Insurance Corporation to make the agents responsible for errors in that respect, then I suggest that it should occur in all the legislation that's on the statutes.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Well, if I may speak on that for a moment, Mr. Chairman. The situation is having a degree of accountability from agents. They can't simply - and I'm not suggesting that they are doing this - but if you carried it to its final conclusion, if they were not accountable then they could do almost anything to the detriment of the motoring public and indeed to the Corporation itself. The only other aspect would be to cancel them.

MR. GRAHAM: That's right.

MR. DUTTON: But the Act, I don't know whether this committee is aware of it or not, but the Autopac agents have a greater degree of security than anyone in the insurance business because we can't cancel them unless they are guilty of a misdemeanour. As you know in the private sector they can cancel them if they feel like it for any reason or not give a reason. So we have to decide then what is a misdemeanour and perhaps this is a misdemeanour and is one way it would make them accountable, that if they continue to do this then they should no longer represent the Corporation. This matter is not a unilateral move being made by us. We are in constant discussion with the Association to see just how, working with them, that we can iron out this problem.

MR. CHAIRMAN: Page 13--pass; Page 14--pass; Page 15--pass; Page 16--pass; Page 17--pass. I understand that there is a disposition that the rest of the Report be accepted. Mr. Steen.

MR. STEEN: The Minister did say that he would like to talk about the advertising budget when he got to the Budget portion. I am of the opinion that there's no need to go through the Budget pages, item by item but I did ask a question on the surcharges, on the licences. Were you going to answer that today, or . . . ?

MR. URUSKI: No, I will provide it written because I'm going to give you the breakdown of what additional premium is charged at the various demerit points; how much premium we are collecting based on the number of drivers, a complete breakdown of it. Also the accident surcharge.

MR. STEEN: Earlier when I asked the Minister a question regarding advertising, he said at that time that he would prefer to defer it until we got to the Budget. So perhaps if he would like to . . .

MR. CHAIRMAN: Page 24.

MR. URUSKI: Informational advertising \$114,000 in '75. It's below the '74 Budget of \$150,000, Mr. Chairman. The \$114,000 is made up of \$5,000 towards the Child Safety Program and includes production of safety tags in media advertising; \$6,600 for bus board informational advertising on buses during the time of renewal period and in various climatic seasons of our year. We've had during icy periods or early fall a particular type of advertising. And \$18,000 for the renewal advertising, informational advertising and general insurance advertising is included in that of \$50,000 - the beginning of the Corporation going in to the general insurance field. The school safety calendar program advertising of \$14,000 and the salvage auction informational advertising which is conducted annually or weekly throughout the year of \$18,000 and various minor notices and the like, of approximately \$2,500, which totals the Corporation total advertising budget.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Yes, Mr. Chairman. On Page 18 the Accounts Receivable have shown an increase of over \$1½ million and it's probably very easily explained. I'd just like a quick explanation of that. Also Prepaid Commission has increased by \$1/2 million or better.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: In the Accounts Receivable, the major portion of it is in the Subrogation Accounts. In other words we're subrogated and we're recovering from other parties too - it would be the major portion of that increase.

Accounts Receivable, for the benefit of the Committee, does embrace many things. For instance the Accounts Receivable direct premiums, the Accounts Receivable from agents, the Premium Payment Plan - the Installments that we have in Accounts Receivable, Salvage, things of this nature. But the biggest one is the Subrogation.

MR. BLAKE: A substantial increase in Subrogation. Is there a reason for it, or is it some . . .

MR. DUTTON: Subrogation is really where it is, the reason for it.

MR. BLAKE: It just happens to be higher now than it was last year.

MR. URUSKI: That is correct. You mean a greater amount?

MR. BLAKE: Yes. You're not disputing more claims or claiming . . .

MR. DUTTON: No, no.

MR. BLAKE: It just happened. Okay. The prepaid commissions would just follow the same. The increase, I suppose, is just bookkeeping.

(MR. BLAKE cont'd)

Under Land and Building there is an increase of \$1.3 million. This is your new Claims Centre at

MR. URUSKI: No. 4 would be Selkirk Claims Centre.

MR. BLAKE: Do you have costs on those handy?

MR. URUSKI: Yes. We'll have to give you the

MR. BLAKE: Yes, you just get them and give them to me and I'll stick them in with the records - whenever you have a moment.

MR. URUSKI: Okay, we'll provide that

MR. BLAKE: Okay. On Investments, I know there's a note, I just wondered, at the same time if you had it offhand what you're investing in. Is it provincial, municipal . . . hospitals or schools or

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: The Investments, we can go through them. It starts with Gladstone Hospital \$76,000; Minnedosa Hospital \$227,500; Morden Hospital \$586,000; Russell \$807,000; Brandon General Hospital \$880,000; Victoria General Hospital \$2.2 million; Manitoba Telephone System \$2.5 million; Lynn Lake Hospital \$230,000; Neepawa Hospital \$470,000; Gimli Hospital \$240,000 for a total of 8.2. And then there is a number of short-term investments totalling - the long term are 8.2 and the short term total 20.1 million and they are as follows: provincial bank

MR. BLAKE: Does short term mean under one year or one year and under?

MR. DUTTON: It's under one year.

MR. BLAKE: Under one year. That's fine. Don't bother with those at all. It's the long term ones I was interested in.

MR. URUSKI: Yes, the long term, I might add the long term will be, as of October 31, 1975, there are substantially more long term investments coming in this year. It will be

MR. BLAKE: Have you made them all yet?

MR. URUSKI: They're starting. We have made an investment into Manitoba Telephone I believe, in excess of \$9 million or somewhere in that amount, and there are some others that are coming onstream.

MR. BLAKE: What projected yield are you expecting on your new investments this year? The long term yield.

MR. URUSKI: We have the yield on the ones that I have given you. It ranges from 8.75 to 11.125.

MR. BLAKE: Right. And you're projecting a yield on your new investments, in the same range?

MR. DUTTON: Yes.

MR. BLAKE: Your telephone rate would be $9\frac{1}{2}$?

MR. URUSKI: Ten and one-quarter.

MR. BLAKE: Ten and one-quarter.

MR. URUSKI: Yes. All the investments are made on behalf of the corporation by the Department of Finance so that all investments are made for the province through one agency. That is primarily the reason of the transfer of funds to the province from the corporation for the long and short-term investments.

MR. CHAIRMAN: That concludes the Report of the Manitoba Public Insurance Corporation for the fiscal year ended October 31, 1975. Would somebody move the Report be received? So moved. Is it agreed? (Agreed) Thank you.

Committee rise and report.