



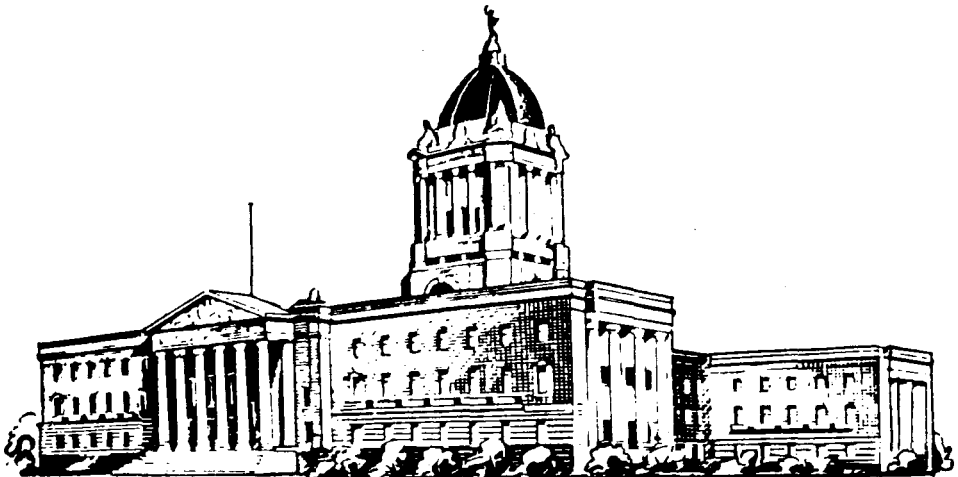
**Legislative Assembly of Manitoba**

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**PROCEEDINGS OF THE STANDING COMMITTEE  
ON  
PUBLIC UTILITIES AND NATURAL RESOURCES**

**Chairman**

**Mr. Warren Steen  
Constituency of Crescentwood**



**10:00 a.m. TUESDAY, May 23, 1978**

**Proceedings  
of the  
Standing Committee  
on  
Public utilities and Natural Resources  
Tuesday, May 23, 1978**

**Time: 10:22 a.m.**

**CHAIRMAN** Mr. Warren Steen (Crescentwood).

**MR. CLERK** Gentlemen, it's now long past 10 o'clock. The first item of business for the committee is the election of a Chairman. Are there any nominations, please? Mr. Steen. Are there any further nominations? Hearing none, I would ask Mr. Steen to take the Chair.

**MR. CHAIRMAN** Members of the committee, we have 11 persons on this committee. Can we establish a quorum as being 6? Is that agreeable? (Agreed) We are going to deal with the Manitoba Public Insurance Corporation this morning. The Minister of Highways and Public Works and responsible for the Public Insurance Corporation is first spokesman.

**MR. ENNS** Well, Mr. Chairman, I would simply like to introduce the MPIC report for consideration by the committee with these very few opening remarks, namely that it will be somewhat different procedure that has taken place with respect to MPIC's representation in front of this committee. In the past seven years, the chairman of the board was the Minister responsible for MPIC and, as such, answered for the corporation in front of this committee. Shortly upon assuming office on October 24th, Mr. Dutton, the general manager of MPIC, in addition to those responsibilities assumed the responsibilities of Chairman of the Board and, as such, and in keeping with the practice and tradition of other chairmen of other Crown corporations appearing before this committee, such as Telephones or Hydro, Mr. Dutton will be answering for the corporation in front of this committee. I invite the members' questions to him directly. Thank you, Mr. Chairman.

**MR. CHAIRMAN** Mr. Ferguson.

**MR. FERGUSON** I understand that it is customary to move that the proceedings be recorded and transcribed. I would so move.

**MR. CHAIRMAN** So moved by Mr. Ferguson. Agreed? (Agreed)  
Does Mr. Dutton wish to make an opening . . .? Proceed.

**MR. J.O. DUTTON** Yes, thank you, Mr. Chairman. I would first of all welcome the opportunity naturally to answer any questions on the operation of the corporation to the end of the last fiscal year and, in addition, update the situation as it stands to date. We've been doing this in past years and I would like to continue that procedure. However, before doing so, I think I should introduce the people from my staff who are here to assist me with backup material. I have Mr. Pereira, the Assistant General Manager; and Mr. Hillier who is the Director of Finance; Mr. Drebnicki who is the Comptroller. You can gather from the weight of numbers I have on the financial end, why I anticipate financial questions.

The Board of Directors as listed in the Financial Report are the Board of Directors as of the October 31st, 1977. However, I'm sure you are aware that there have been some changes made. Of those shown as the Board of Directors now, Mr. Burtniak is no longer a director nor is Mr. Carroll and we've added Mr. Dave Blake, an MLA, and Mr. Sutherland from Brandon and Red MacDonald from Winnipeg.

The Annual Report, I believe you all have a copy. If you haven't, we'll certainly produce them for you. It was, in effect, a good year for the corporation. We ended up with premium writings of \$111.8 million with a net surplus of \$11.5 million broken down to: a surplus on automobile which includes Autopac of \$10.1 million and the general insurance division profit of \$1.4 million. As a result, the corporate assets grew to \$97.3 million which is an increase of 48 percent over the previous year. Along with this gross, the investment portfolio of the corporation is now in excess of \$75 million. The entire long-term portion of the investment portfolio totalling \$45.8 million is invested in Manitoba and you'll find, as you go through the report, the breakdown of those investments are shown.

We also mention in the report that we have new locations. We opened a building in Brandon with the other structures that we're presently building.

The automobile insurance division, of course, is the one that we do receive the most premium

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income for and does involve the most useage of our staff. It was a good year and so much so that it will allow us to entirely eliminate the deficit and show certain reserves which we can cover as we go through the report.

The general insurance division had a reasonably good surplus, in my view, in view of the premiums written and it continues to show good this year. Maybe we should, Mr. Chairman, bring you up to date on the situation as it exists at present.

Under Autopac, we do have to the end of April 30th — and of course you will appreciate that these are unaudited figures but certainly the figures which management operates by on a month-to-month basis and I think prove to be reasonably correct at the end of the year. In any event, it will give you a good idea of the trend for the present year. We do have a surplus under automobile which again includes Autopac and this, therefore, is from November until April 30 of a little over \$2 million, however, it is my understanding, Mr. Chairman, that perhaps for April we may lose the gasoline tax in which case our surplus would be in the neighbourhood of \$1.5 million. This itself is a reasonably satisfying figure because we did have a substantial increase in the numbers of claims this year, the increase was from 92,000 to a little over 104,000 or approximately 11 percent. In addition, the cost per claim is going up.

Well, when we try to project this in looking at the situation for the entire year, I'm afraid that this means simply that the corporation may be in a break-even situation at the end of the year which is the end of October. I think that losing the gasoline tax for the rest of the year, of course, will have an effect and I anticipate that it will be a break-even picture but, of course, that's subject to the weather. We don't know what type of storms we're going to get or other conditions that are unknown at this time.

Now, we must realize that when we're looking at the situation at the end of October, and we had a break-even figure, it would mean, in effect, that a rate increase is a must for the coming year. I say that because you will appreciate that in November, December, January and February — in other words the four months until the new license year starts — the rating period, we'll be without the gasoline tax and we're serving through the worst part of the year which would mean that I think at the end of the license year next year, the corporation will be in a deficit position and therefore a rate increase is certainly on the horizon.

In the general insurance division, the situation remains fairly good. We have a surplus at the end of April of \$655,000 and that's after putting through substantial reserves for unreported claims, etc. It's hard to project just how the general insurance division will end up its year because, in my view anyway, the amount of premiums written does not give it a good solid base at this time and we could be subjected to losses or a series of losses which could reverse that \$600,000, however, I have the feeling that that will not be the case and that the general insurance division will end up with a surplus, something on a par with last year.

Now I think that pretty well brings it in line with the situation as it now stands and, Mr. Chairman, I understand we're here to answer any questions that the members may have and we stand prepared to do so.

**MR. CHAIRMAN** To the members of the committee, in the past, from my limited experience, we have dealt with this Annual Report on a page by page basis. Is that the wish of the committee to continue in that fashion? (Agreed) All right. Mr. Doern.

**MR. DOERN** I had a number of questions and before we begin, perhaps you could give me an indication of where I could ask them in terms of the report. I wanted to deal in particular with the proposed new Autopac building which has now been frozen and I'm just wondering if I could have some indication whether that could, for instance, be dealt with on Page, well, I suppose on Page 1 or 2 of the report, Page 2 dealing with the automobile insurance division.

**MR. CHAIRMAN** I would think, to Mr. Doern, that most questions of a general nature would fall under the first couple of pages, like Page 2, the automobile division, or 3, the general division, and the financial questions would follow in the subsequent pages. But, we will try and be fairly lenient with all members that their questioning, even if they've missed their opportunity, that they can still ask their questions.

Would you like to lead off, Mr. Doern, with the first questions? We're on Page 1. Can we pass Page 1 and get onto the automobile insurance division on Page 2? Page 1 is the general statement which has been read by the chairman basically. Page 1—pass. Page 2 then on the automobile insurance division. Mr. Doern.

**MR. DOERN** Mr. Chairman, I would like to ask a number of questions, some general, most I think specific, about the proposed Autopac building and I don't know, in so doing, whether I'll be asking them or Mr. Dutton or Mr. Enns, but I suppose there is a mixture here. Perhaps I could start with

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some detailed questions which are all related to the general question namely, why hasn't the construction of the new Autopac MVB Building been proceeded with? That is the general heading that I am interested in. So I wonder if I could ask Mr. Dutton if he could clarify his present arrangements in terms of his head office. I gather he is renting some five floors, and now I forget which bank that is, there are several. . .

**MR. DUTTON** The present situation is that we have arranged all leases so that they expire on the same date, which is May, 1981. That's where we stand at the present time. We have obviously not made arrangements for leases on other premises at this time because it is too far in the future.

**MR. DOERN** Can you tell me how many square feet of space you lease and what you pay for them?

**MR. DUTTON** Thirty-five thousand, and the rate varies, but the rate that we have is seven fifty I am advised.

**MR. DOERN** And does that include your general insurance division?

**MR. DUTTON** Yes.

**MR. DOERN** You have an extension to May, 1981; are there options after that?

**MR. DUTTON** No, there are no options after May, 1981 at this time.

**MR. DOERN** Are you told that you cannot stay longer if you so desire?

**MR. DUTTON** We haven't been told that we cannot stay longer from any source, as a matter of fact. It's a case what is administratively best for the organization as whether we wanted to stay in the present building or look for space that we could get all our departments together. At present it's very difficult.

**MR. DOERN** Well, are there other departments or divisions that are not in that building?

**MR. DUTTON** Yes, there are.

**MR. DOE** Can you give us an example, illustrate them, and tell us where they are and how many square feet there are?

**MR. DUTTON** Well, we have a part of our claims division which handles the injury type of claim along with our legal department on Smith Street. Also, our central claims division is on Smith Street. We picked this location because it was fairly close to the administrative office. We were not able to accommodate them at that time at the administrative office because space was not available; that is the situation. There are other divisions which I think, by the very nature of them, obviously have to remain in their present location and I am speaking naturally of claim centres and our salvage division which in any event could never be brought under one roof with us. There is one other small division that perhaps could be and that's the special investigation unit.

**MR. DOERN** And the special investigation unit?

**MR. DUTTON** Yes.

**MR. DOERN** How many employees are in that?

**MR. DUTTON** There are only six employees in that division.

**MR. DOERN** And what about in claims division and central claims division?

**MR. DUTTON** I'll see if I can get the number for you, just a moment.

**MR. DOERN** And the number of square feet, if you have it.

**MR. DUTTON** There's quite a few there, yes. In the claims injury — anyone that's injured in an automobile accident, we move that portion of the file because it may go on for a number of years, as you are aware, and we give that to people who are especially trained in the handling of injury claims along with the no-fault benefit and to assist them the lawyers are put right next to them so they can work together. Just a minute, I'll see if I can get the numbers. About 75.

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**MR. DOERN** Seventy-five employees and you don't know the number of square feet at the moment.

**MR. DUTTON** No, I don't.

**MR. DOERN** How many employees do you have in the bank? What bank building is that again?

**MR. DUTTON** The Bank of Montreal.

**MR. DOERN** The Bank of Montreal. How many people there?

**MR. DUTTON** Three hundred.

**MR. DOERN** Three hundred. So, you have your 300 in the bank; 75 in the claims and central claims; and six others.

**MR. DUTTON** We're looking at the period — now, I would suggest if you are wondering how many we're going to need, perhaps we could make that a round figure of 400, I would say.

**MR. DOERN** Right. And over the past few years, if we went back, let's say from the origin of Autopac to the present, what kind of a general growth rate have you had in terms of staff?

**MR. DUTTON** There has been a substantial growth. If we look back to the initial days we probably had 20 people there, but it is in excess of 800 now. I think that is an extremely difficult question to answer if you are asking for a pattern of growth in the number of employees per year. Certain functions did occur that increased our staff substantially at given times. For instance, when we took over the registration function of the Motor Vehicle Branch, obviously this meant a sudden increase of over 100 employees. I think the rate of increase from here on in will be relatively light; I'm guessing 5 percent.

**MR. DOERN** Twenty percent next year as an example.

**MR. DUTTON** Yes. It's 5 percent per year that's what I meant.

**MR. DOE** Under the proposed Autopac building which was shared with MVB, that of course would take in your present staff, all of these people, and I assume allow for some growth.

**MR. DUTTON** Yes, of course. At that time when we were looking at the building, it seemed one of the situations we continue to run into, and I suppose it's not peculiar to our organization, is the fact that we often underestimate the growth of the firm. If you're building a building, we had anticipated that, not only from that date, but if my memory serves me right, we were looking at a period five years from that date of the completion of the building, so that the building was truly a viable operation on behalf of the department.

**MR. DOERN** So, in other words, it was planned to — let's say the building opened two years from today, it would take your present staff plus the projections for a couple of years, plus was there also some lead for additional growth within the building and additional staff?

**MR. DUTTON** Yes, that's right. We projected on that for a period of five years.

**MR. DOERN** For five years beyond the opening of the building?

**MR. DUTTON** Yes, beyond the opening. That's right.

**MR. DOERN** Right. Okay. You also I think indicated at one time, or I assume that if you were given a green light from your Minister who is sitting beside you, and he is not giving that light at the moment, but if he gave you a green light to proceed with the new structure in conjunction with the MVB, would you have the funds to undertake the capital construction?

**MR. DUTTON** The answer to that is in the affirmative. Yes, we would have the funds to build a building. At the present time as this report indicates, we are investing sizable sums of money in other buildings throughout the province for other purposes, hospitals or whatever, and we will have to continue with our surplus, put it out in some fashion, and the surplus will be there. I'm not talking about a surplus in the operation of the corporation but the surplus funds, and they will be there and we certainly would have sufficient moneys to build a building.

**MR. DOERN** And I suppose in Saskatchewan, which I am not as familiar with as you are, I assume

they have their own headquarters and their own building.

**MR. DUTTON** Yes, Saskatchewan has had its own building for quite a number of years. It's interesting to note that they purchased the Canada Life Insurance Building initially, but they have been operating with their own building and they are presently, as I understand it, building a large building in downtown Regina and I believe they are going to lease some of the space to other shops, and so on.

I might point out that we are not permitted to do that under our Act; our Act does not give us the right to use our money on real estate for investment purposes. In other words, we couldn't build a building as the Act presently stands and lease a portion of the space to the Motor Vehicle Branch. The Act would have to be changed.

**MR. DOERN** Unless you owned one half and they owned one half or some such arrangement.

**MR. DUTTON** Well, if they built half of it and we built half of it yes, we wouldn't own their half then.

**MR. DOERN** You indicate that you may have an employee growth rate of 20 percent. I assume that you also have some projections on how much business you will do in addition. Do you have any idea what that would be in the next year or over the next few years, what percentage

**MR. DUTTON** Well, we do have an idea, of course, of the growth in Autopac in the general insurance division and the automobile extension division. Now that's reasonably easy to establish. There is always an increase in the number of vehicles on the road in Manitoba, and as a result an increase in the number of claims and your administrative problems increase and it requires more staff as time goes on. The one that is difficult to estimate is the general insurance division. If it grows on the same basis that it has for the first two years then of course I think that 20 percent that you were talking about is probably right.

**MR. DOERN** So if, because of a growth in business and higher volume, which I think is a reasonable projection, you require more staff, where will those staff go? I mean you'll be renting bits and pieces of offices . . .

**MR. DUTTON** That's been our problem from square one, Mr. Chairman, through you, Mr. Chairman. We did initially take one floor in the building we're in, and as the staff continued to grow other problems of handling the registration were handed to us. We had to acquire more space and as a result we've got them scattered all over the building and administratively that is not a good situation, and if staff continues to grow we would have to do one of two things: either get more space in the building or, what is even worse, get more space in another building. Again, it's an administrative problem. The ideal situation naturally is to have them all under one roof with a building that is properly designed to look after work flow.

**MR. DOERN** The Brandon building is open now?

**MR. DUTTON** The Brandon building is open — yesterday.

**MR. DOERN** How many employees are there?

**MR. DUTTON** About 100.

**MR. DOERN** 100 employees.

**MR. DUTTON** In that vicinity. I'm rounding figures out.

**MR. DOERN** Then I would like to ask the Minister a question or two drawing on his phenomenal memory which he drew on the other day but unfortunately erred three times the figure but I realize it's hard to contain a million or more facts in one's mind. Does the Minister know the situation? The MVB situation apparently was pretty grim. I only raise it in relation to the new building and I don't want to get into it too much but I'm just saying, has the Minister done anything to alleviate or improve the situation because my reports for years were that that building and that operation was probably the worst in the Provincial Government because of the excessive crowding of staff and consequently poor working conditions — the word "sardines" was the normal reference to the MVB — so I was just wondering whether the Minister, other than freezing the status quo, whether he is considering anything in terms of making some improvements temporary, or whether he is also reconsidering his decision, or his government's decision to proceed with the new building.

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**MR. CHAIRMAN** The Minister responsible for MPIC.

**MR. ENNS** Mr. Chairman, some weeks ago we had the Registrar of Motor Vehicles, Mr. Peter Dygala before the Estimate Review for the Committee of the House. I believe he indicated that the staff situation at the Motor Vehicle Branch was tight but was functioning and operating and I have not had an occasion or time to assess the needs for any substantial or major changes.

**MR. DOERN** Well, could the Minister indicate to the Committee what is happening in terms of the proposed MPIC, MVB building? Is it frozen or is it killed?

**MR. ENNS** Mr. Chairman, the Chairman and the Board of Directors of MPIC have made the government of the day and myself aware of their capabilities and their proposals with respect to the new building. We have not had occasion to make any policy decisions in this regard. When that is done it will be duly announced. I should expand to this extent; we have co-operatively with the directors and the chairman of MPIC indicated to them that it would indeed be to everyone's advantage to bring into their current leasing programs of space a coterminous nature so that, as the chairman has already explained, that all leases will in effect expire as of May, 1981, which leaves us in a position, or the corporation in a position, of not having to perhaps pay out unnecessarily lease money for space vacated or penalties of any nature. It allows for the kind of planning that I believe will take place with respect to space in the matters raised with respect to space by the chairman in the next year.

**MR. DOERN** Well, could the Minister inform us as to what happened when the government changed in October? Our government had already called the first set of bids for phase one of the building which would have been to construct an underground parking structure which could have been accessed also by the Centennial Concert Hall. There's first of all a requirement obviously, if the building had proceeded, with parking for employees and in particular parking for the public which was of some concern to the previous Minister, and also, of course, there was the sort of added benefit; namely, that in the evening there's a fair amount of activity in the vicinity from the Theatre Centre, the Playhouse, the Concert Hall, etc. etc. — the Planetarium, Museum — and one of the decisions made in terms of how many spaces for vehicles was related to the requirements of the Concert Hall and so on. So we tendered phase one and we received bids and the low bidder was Poole Construction, but we didn't award the tender. Can the Minister tell me what he did in terms of informing Poole Construction as to what was happening or what negotiations or discussions he had with them?

**MR. ENNS** Well, Mr. Chairman, nothing in this respect has happened. The land assembly is being proceeded with. The expropriation notices have been served on the final pieces of property — I believe seven in total. Not in all instances have actual moneys been paid out. They, I think, are in the process of being paid out. I think that one of the provisions of the Appropriation Act is that once an expropriation notice is served then the payout is automatic.

That land assembly is being proceeded with but the matters that the Honourable Member for Elmwood refers to were of such a nature, with no contracts being awarded, what in effect the corporation has is perhaps some initial working drawings, initial phase work, architectural work in place and that is a subject matter that will be dealt with when the government decides to deal with it. For the moment, we've had enough difficulty keeping sex out of the insurance business to keep us occupied and we haven't been addressing ourselves to the building problems of the corporation.

**MR. DOERN** So that in terms of the award of tender, of course it wasn't awarded, but did for instance Pool Construction come to the government and say, in view of this or that, we require certain moneys for our output. There's no problem in that regard. But the Minister then did not, on the other hand, say to Pool Construction that we may be proceeding within a year or six months or three months, will you hold your prices for as long as possible. No comment on that line. Was any discussion held with Pool Construction?%

**MR. ENNS** No, Mr. Chairman, there's been no discussion held by government with Pool Construction.

**MR. DOERN** Right. Then again, with the working drawings, the architects spent some time developing their general program and then of course did the detailed working drawings for the parking structure and I suppose we're probably into some of the other structures, the super-structure. Has the Minister had any discussions with them, with the architects or engineers on the project, has he said, do this or don't do this or has, again, there been just no communication whatsoever?

**MR. ENNS** Well, Mr. Chairman, I personally have not had any discussions with them but that isn't to say that somebody in the Department of Public Works may well have had or indeed somebody within the corporation may well have had some discussions but there has not been a matter of representation brought to the Minister's attention.

**MR. DOERN** Well, did the Minister give a directive that they should stop drawing? What if they're continuing to do so?

**MR. ENNS** I believe that's likely a decision that might well have been made and I'm trying to recall, I invite the chairman to correct me — a decision that might have flowed jointly as a result of the announced intentions to, for the moment, put off the construction of an MPIC building. I can't recall making it that way other than that any additional encumbrances of money through the Department of Public Works would stop.

**MR. DOERN** And was any decision given, was a decision considered to proceed with the parking portion of the building that could be then accessed by the Centennial Centre complex?

**MR. ENNS** No, Mr. Chairman, there has been no consideration given to that at this time.

**MR. DOERN** Has the Minister had any approaches by people from the Museum or any other organization to turn the property over to them or to allow them to build or expand on that site?

**MR. ENNS** Mr. Chairman, not directly. I'm searching my mind, I think there has been some interest expressed by the organization mentioned by the Member for Elmwood but not in any substantive manner.

**MR. DOERN** Well, in other words, there may have been approaches to the government to take that property and develop it for other purposes by say the Museum or some cultural organization but, if so, they were not made to the Minister of Public Works.

**MR. ENNS** That's correct.

**MR. CHAIRMAN** Page 2—pass — Mr. Hanuschak.

**MR. BEN HANUSCHAK** Yes, Mr. Chairman, in view of the fact that Autopac, the Manitoba Public Insurance Corporation, had a good year I would think that it probably had attracted some interest or may have attracted some interest from other public jurisdictions in the concept of publicly operated automobile insurance. Could the Minister or the general manager indicate whether there have been any inquiries from any provinces or even beyond Canada, any of the states of United States of America?

**MR. CHAIRMAN** Mr. Dutton.

**MR. DUTTON** There's always been a number of inquiries. For instance, I am sure the committee is aware that Quebec not only decided to get into a form of public insurance themselves but they've instituted pretty well a total no-fault system as regards to injuries to the individual and naturally they have been in touch with us — with myself that is — asking certain questions as to just how we did operate and which, of course, I gave them that information. There are always inquiries. There have been boards, there have been Royal Commissions, whatever, over the last few years. I can't tell you specifically because I just don't keep track of them, what inquiries were made in the twelve months under review but certainly I'm sure there have been some.

**MR. HANUSCHAK** Merely from other parts of Canada or from beyond the boundaries of Canada?

**MR. DUTTON** Well, for the most part they come in Canada because they are very much interested but I should tell you, the committee, that there is a great interest in plans, particularly as it relates to the so-called no-fault insurance, and this is being handled in various areas in the United States through the private sector but because we operate on a modified no-fault system, certainly they've been seeking information from us over the years as to how this operates and just what can be done.

I might mention too that there will be a convention for the first time ever held in North America, to be held in Winnipeg on June 5th. The general managers of all the Crown corporations or public insurance corporations of Australia, New Zealand, etc., will be here for a week and it's what you call a General Managers' Conference and we explore all the avenues of insurance and particularly



as it relates to public insurance.

**MR. HANUSCHAK** This is a convention of publicly operated insurance corporations?

**MR. DUTTON** That's right.

**MR. HANUSCHAK** I see. From the Commonwealth?

**MR. DUTTON** From pretty well anywhere around the world but most from Australia and New Zealand and of course the other jurisdictions in Canada and of course Quebec is involved and so on.

**MR. HANUSCHAK** I see. How do our operations for the fiscal year just ended in Manitoba compare with the financial story of the automobile insurance industry in general in Canada?

**MR. DUTTON** I think it seems to operate not only on a provincial basis but throughout the country. The fortunes that we have are usually reflected, generally speaking, in the fortunes of private insurers throughout the country. For example, a couple of years ago we had horrendous losses as everyone is aware, but they were the worst years in the history of the insurance industry. A year ago we had a very tidy surplus and so did the industry and last year, of course, it's a good surplus and the industry indeed itself had a reasonable surplus. It is too early to give you the entire picture because I haven't got it. It is compiled usually and sent out in statistical issues of trade magazines and we get a lot of information from that but it is my guess that they had a reasonably good year last year. I think the AIB have asked some of them to refund some of the premiums to the policyholders. The question has often been put to me especially by the alert media who we have, what are we going to do about it, and I can point out that by taking away the gasoline tax from us is in effect given a 10 percent reduction on basic autopac. So we have refunded too. .- ...-

**MR. HANUSCHAK** I believe that at the present time, insofar as any extra coverage that a vehicle owner may wish to purchase was at liberty to either buy it from Autopac or from the private sector. Is that correct?

**MR. DUTTON** Yes. Anyone is only obliged to buy at Autopac up to the — really this is what Autopac is — basic limits, and beyond that it goes to MPIC in extension coverage. The basic limits state that in a private passenger car, for instance, \$50,000 third party; \$200 deductible and your accident benefit. On heavy equipment, again it is \$50,000, the deductible is higher, but there is a limit on the amount that we will pay and that limit is \$15,000 and if you want to extend that, you pay so much per thousand to extend it. Reason for that, we could vary from a piece of equipment worth \$10,000, something that is worth \$200,000, fully loaded, and naturally it would be inequitable if we charged them the same rate. And the only way we can take it off-line from the computer is to handle it in that fashion.

**MR. HANUSCHAK** Would you know what percentage you are able to estimate the extra coverage vehicle owners in Manitoba purchase from the Public Insurance Corporation and what percentage from the private sector elsewhere?

**MR. DUTTON** I can't answer of course exactly what percentage the private sector get, but I can tell you what percentage we use, and I can tell you what percentage is related to the total of insurance protection sold. We know of course that everyone has to buy the \$50,000 and so on, so therefore that gives us a picture of 100 percent if we know the total number of vehicles insured in the province. Now from that we find out how many people extend their coverage beyond that \$50,000, or lower the deductible from \$200,000; our percentage that that runs into is roughly 90 percent, extend that coverage through ourselves. Now this leaves about 10 percent that do not extend it through us, and therefore that 10 percent in total may extend their coverage through the private sector. However, I am sure that that is not the case because I have reason to believe it has always been the policy, and has been for some years for the provincial government, who have I believe, two or three thousand vehicles, not to extend their coverage beyond the \$50,000.00. So therefore we know that even out of that 10 percent we take the provincial government vehicles and some others, which leaves a very small portion that the private sector is writing.

**MR. HANUSCHAK** So, do I understand you correctly, that about 90 percent of the vehicle owners in Manitoba, or perhaps I should speak in terms of vehicles, 90 percent of the vehicles insured in Manitoba have some form of extended coverage?

**MR. DUTTON** That is correct, with us, so there may be more than that when you figure it out.

**MR. HANUSCHAK** Yes, and then the 10 percent, some may and some may not.

**MR. DUTTON** Yes.

**MR. HANUSCHAK** How do our rates compare with those in other parts of Canada?

**MR. DUTTON** A comparison of rates is difficult at all times of course, because you're comparing for instance a territory against another territory. If, for instance, we wanted to compare the rates in small communities, well, let's take the next biggest city, Brandon, and you wanted to compare that with Toronto, that would be unfair. If you want to compare our rates here, a farm rate with a farmer across the country, I think you will find that we have the lowest rate and I am of the view, lower than Saskatchewan too. I think though, in general, when you compare the young person that's involved, I think that the rates that we're charging here in Manitoba are the lowest in Canada.

**MR. HANUSCHAK** Would the same also apply for example if you were to compare Winnipeg with other urban communities of a similar size, I suppose, what would they be — Calgary, Edmonton. . .

**MR. DUTTON** If you compare them with Calgary and Edmonton, and Calgary and Edmonton are slightly smaller than Winnipeg, I think you will find that our rates compare most favourably, particularly if anyone is under the age of 25. If you compare it with the best rating area, at least we used to consider it as such, and I suppose it's the case now, is that Victoria used to have perhaps the lowest rate because — we used to wonder why, certainly the weather is not like it is here, when an ice storm we know can cost us an extra \$50,000 when we open the doors in the winter next morning — they don't have that type of a situation and the type of people there, a good percentage of them are older people going out to retire who are not racing around the streets with their cars.

**MR. HANUSCHAK** They drive their cars to church on Sunday.

**MR. DUTTON** But in any event I would still say that you can compare our rates with Victoria and you'll find that we will come out generally speaking, most satisfactorily.

**MR. HANUSCHAK** At the present time, is some of our automobile insurance sold directly by the Corporation and some by private agents? What is the breakdown in the. . .

**MR. DUTTON** You're talking about the premiums sold?

**MR. HANUSCHAK** That's right, that's right.

**MR. DUTTON** The increase has been noticeable of about one to two percent per year and is being sold through agents. We call them outlets. The percentage, I think, may be running close to 90 percent now.

**MR. HANUSCHAK** Eighty-seven?

**MR. DUTTON** Eighty-seven percent goes through insurance agents and the remainder will come in by direct mail to us or through the Motor Vehicle Branch.

**MR. HANUSCHAK** And there seems to be evidence of that increasing, the insurance sold through private agents?

**MR. DUTTON** Yes. The figures show there is evidence of that increasing.

**MR. HANUSCHAK** Yes, I suppose that would apply in much the same proportions to the basic and the extended coverage.

**MR. DUTTON** Yes, it does, because a person goes in regardless, he gets his renewal, and it's very simple for him to walk into the closest outlet there and have it validated and pay the premium.

**MR. HANUSCHAK** What about interprovincial companies which may have motor vehicles operating in Manitoba? In view of the fact that we have very favourable insurance rates, is there any likelihood of some corporation attempting to take advantage of the low insurance rates by insuring here whereas in fact, they should be insuring in Ontario, or Alberta, or wherever they may be based?

**MR. DUTTON** That does happen, but it happens with individuals too. A person will give a mailing address, perhaps his parents' location in the province, when we know very well he's going to for instance be driving around Toronto where the rates are substantially higher. Now this does create problems for us because in fact he runs a risk of voiding his insurance and you know, he's not really paying his full premium when you consider that a portion of your driver's licence premium the portion of the whole fee that you pay is an insurance premium which goes in the general fund. Now if he has an Ontario licence, he hasn't paid 100 percent of his premium. And we have had cases too, where a person unfortunately thought he was probably pulling a fast one and has found much to his horror, when a claim occurred, that he is going to have great difficulty indeed to have his car repaired. In other words, he simply did not give us the true facts of the case; he did not live in this province. Corporate citizens are not like that, they will indeed have a number of their vehicles based in Manitoba and operating from here, which is okay, which is the name of the game.

**MR. HANUSCHAK** I have one further question, Mr. Chairman, perhaps this ought to be directed to the Minister. Does he anticipate any changes in the rate structure in the forthcoming fiscal year?

**MR. ENNS** Mr. Chairman, I perhaps mentioned it in some jest a moment ago, but we are certainly having to address ourselves in the corporation with respect to those recommendations that are being made to the corporation and to the government emanating from the Human Rights Commission which could in effect cause us to restructure some rates in order to generate obviously the same premium dollars that are necessary for the corporation. And if, in fact, upon no final decision with the Attorney-General's Department, myself, in cooperation with the Board of Directors at the corporation, that some basic changes should occur as to the manner and way that premiums are currently written up — male versus female, age discrimination, etc., then there could be some substantial changes in the rate structure or in the premiums written.

But I would hasten to add, Mr. Chairman, that I'm merely noting the fact because it's been drawn forcibly to my attention by the Human Rights Commission and to that of the corporation. We have not had an occasion to sort that one out as to what the implications of it are, and I think in fairness to the chairman and to the corporation, the corporation has not as yet received direction from the government or from the Minister as to what extent we will be meeting or accommodating ourselves to those recommendations that have just in recent weeks been made by the Human Rights Commission in this regard.

**MR. HANUSCHAK** It's a very interesting recommendation by the Human Rights Commission. I suppose there will be a more appropriate time to deal with that at some other time than the Estimates time. The question really arises in my mind whether the Human Rights Commission would also recommend the flat insurance premium for life insurance for all regardless of age — whether my father-in-law, 85 years of age, will be able to buy insurance at the same rate as I or my daughter.

**MR. DUTTON** If I may comment on it. Some time back we asked that the Human Rights Act would be amended and it had been amended, I understand, to exclude life insurance companies, and to me it is obvious that it ought to exclude life insurance companies; obviously a person of 18 years of age or whatever should have a lower premium than a person that's past retirement age. However, they can prove their case by statistics, but we submit that we can statistically show that when facts are not discriminating by reason of age or sex by charging the under 25 years of age driver more premiums, statistics do show and they show right across the country and I think if you check with the insurance rates in other jurisdictions you'll find that a person under 25 is paying hundreds of dollars more because of his accident frequency. A young person ought to be a better driver. He has better eyesight, better hearing, and better reflexes, but he simply hasn't learned all the problems of driving and it's the attitude, the old "what the hell syndrome, nothing can happen to me." All of us have had it and we know exactly what we're talking about, and he ought to pay more, and I think if the Human Rights Commission thinks that we ought to equalize the rates as they relate to sex and to age then I think in all fairness they ought to do the same thing with other organizations, and that includes life insurance. I'm not advocating they do it; I'm just saying that it seems to follow.

**MR. HANUSCHAK** I believe that Mr. Doern has some questions to ask — just a minor point. Would the Minister reconsider the logo of the corporation. From a distance, particularly if one looks, it looks like a pawnbroker's sign.

**MR. ENNS** Mr. Chairman, I'll take that under advisement, but what I'm prepared to give serious consideration is changing the colour of the . . .

**MR. DUTTON** That's not a pawnbroker's. That's three to one you won't get it back; ours says three to one you will.

**MR. CHAIRMAN** Page 2.—pass — Mr. Doern.

**MR. DOERN** Mr. Chairman, on this point about differentials in premiums in relation to sex and age, there probably could be a whole score of other factors that are considered which aren't, but I'm saying, you know, one could draw all sorts of statistical correlations with ethnic backgrounds or war service or living in a particular part of the city, etc. etc. Surely you don't consider any of those.

**MR. DUTTON** No, I think it would be wrong completely to consider ethnic backgrounds, war service, things of this nature. We do have other divisions though, and they're quite clearly set out. We have divisions of territory. We have divisions of usage of the vehicle. What we're talking about, you're going to change the rating procedure because of sex and age is not only the premium on the driver's licence, it's the premium under the vehicle licence too which is changed and consideration is taken under the rating procedures there for the under 25 years of age. It has greater ramifications than just to say, we'll equalize all the rates under the driver's licence because, after all, if we are not complying now when it comes to rating under the driver's licence, then ourselves and the other private insurance companies are not complying with the rating under the automobile extension coverage.

**MR. DOERN** But I'm saying, I don't know how these original categories began but, you know, you might find out that people over 6 ft. 6 in. have a better driving record than smaller people .

**MR. DUTTON** They play better basketball anyway.

**MR. DOERN** So I'm saying, you know, how did these original categories of sex and age in terms of automobile insurance get established? Why not other categories?

**MR. DUTTON** Well, I'm sure changes go on from time to time for the other categories. I think that you could break it down if you wanted to get completely detailed. I think you will find that certain coloured cars are involved in more accidents than other colours, but how far do you want to break this situation down. There's an argument that goes on that perhaps there ought to be flat-rating right across the country and I've also heard the argument that what we really should charge for is strictly on a driving basis and maybe on gasoline premiums. There are many arguments that you could put forth.

**MR. DOERN** Does any jurisdiction have an insurance program? I suppose not. But does anyone have an insurance program whereby all the costs are acquired from gasoline premiums?

**MR. DUTTON** No, I think if you worked that out — we did at one time acquiring all the cost in gasoline premiums — I think you'll find that it is mathematically extremely difficult, if not impossible. I think that a base from gasoline premiums can be worked out. I don't want to be too definite about it now because I've simply forgotten about the procedure that we did use, but we spent some time a while back with our underwriters in rating just what kind of premiums we would require in equating that to the way the claims have increased over the years and what could be done, particularly if you eliminated the basic premium. I think that we found out that it was a very difficult exercise indeed. It was very simple, of course, to add two cents a gallon as we did, and this assisted — it had a great effect incidentally in this area in that the lowest administration cost we could ever get is by using gasoline tax because there's no administration costs — there's very little — it's just turned over to us; whereas when you were getting premiums through the conventional system you're paying a commission to agents who have an administrative cost of putting the paper through the books and so on and so forth.

**MR. DOERN** So if you loaded it all on to gasoline you could reduce your staff and you would also not require agents.

**MR. DUTTON** Oh, that's quite right. You wouldn't require agents. You could reduce the staff. The staff in this reduction would only be in certain areas. Obviously you cannot reduce the staff in the handling of claims and the majority of our staff are in that area. It would reduce staff all right in the registration of the vehicles and the agents concerned.

**MR. DOERN** You mentioned earlier, and I didn't quite grasp the point that you made, but you seemed to indicate earlier that the elimination of the gasoline tax might put you in a deficit position. Could you just repeat what you said?

**MR. DUTTON** Yes, there's no question that the elimination of the gasoline tax means a reduction of some \$7 million in a year. Now, we did not, and I'm not clear in my mind yet, as to when the gasoline tax is to be removed, whether it is April or March, and of course one way or another it's going to make about half a million dollars difference.

**MR. DOERN** April or March?

**MR. DUTTON** If they backed it up one month. If we take it away in March instead of April we get that one extra month, and I don't know yet, and I understand that this matter hasn't been cleared up — at least it's my understanding. Once we lose this at the end of the year it would turn what would have been a surplus to us into a possible deficit and again, adding it to next year's problem. As the rates, of course, as you know, only come into effect on the first of March. It simply means that we will not be getting gasoline tax for the months of November, December, January and February — four months — and if that's \$600,000 per month, it's a matter of mathematics to figure out what that will be, added to the fact that we've probably just had a break-even picture and we're not going to get it for the coming year, certainly means only one thing and that's an increase in rates under the registration certificate.

**MR. DOERN** So because the government has taken this source of revenue away from you, you will have to increase Autopac premiums?

**MR. DUTTON** I don't say necessarily that's the only factor. That is a factor, of course, because the premium that is removed from one source obviously has to be applied to another source, but I'm not suggesting that if we left it there it would mean that there would not be an increase in premiums anyway. It certainly will differ in that if we should make up that \$7 million then, of course, there's only one source for it, place for it, and that is in the registration of the vehicles itself.

**MR. DOERN** Then I would direct aside the Minister again. Has he not acquired this revenue for general revenue now for the province?

**MR. DUTTON** I'm sorry, I didn't hear that.

**MR. DOERN** I'm directing this to the Minister — the gasoline tax — is he not acquiring this for the general purposes?

**MR. CHAIRMAN** The Minister responsible for MPIC.

**MR. ENNS** Mr. Chairman, well, the principle of that decision has been made by government. He'd have to direct that question specifically to the Minister of Finance as to whether or not it takes in effect to March 30th or March 1st.

**MR. DOERN** But it will go into general revenue.

**MR. ENNS** Yes.

**MR. CHAIRMAN** Page 2.—pass — Mr. Doern.

**MR. DOERN** Just a brief question or two here, Mr. Chairman, and then I have questions on General Insurance. Mr. Dutton mentioned an interest, an obvious interest by other jurisdictions in our plan, and I want to ask him to elaborate further. Quebec apparently is the latest interest, interested party in our type of an insurance program, etc. What about other provinces? Are other provinces considering a public insurance corporation or are they studying MPIC with that as a possible end?

**MR. DUTTON** Of course I cannot answer as to what other provinces are considering. They do keep themselves informed as to the operations of the plan here, and I suppose they ask the same questions of Saskatchewan and of British Columbia. There are only two ways to go and one is through the private sector or ourselves, and I think that it's wise of them to establish the results from both organizations. I don't think there is any move afoot from any other province at this time though to institute a plan similar to ours. After all, four provinces now have similar plans and that only leaves six to go.

**MR. DOERN** But you've had correspondence with the remaining six. have you, or have you had correspondence with any of the remaining six?

**MR. DUTTON** From time to time they've had people out studying our plan, and Ontario's had a commission out. We've had inquiries from Maritime Provinces and so on. I have personally had some correspondence with Alberta but it's not really relating to whether they're considering it. I'm sure they're not. They're just queries of our rating procedures, etc.

**MR. DOERN** In terms again of delegations, one or more people coming to Manitoba to make inquiries, which provinces have been here in recent times again of those six particularly . . .

**MR. DUTTON** Well, in recent times, I don't know how far I can go back, we've had — and it's in writing too — there's royal commissions from Ontario that studied our plan, Quebec studied our plan, the Maritimes have studied our plan and in particular New Brunswick. As a matter of fact, Mr. Pereira and I both went to New Brunswick at their expense to explain the situation here.

**MR. CHAIRMAN** Page 2—pass; Page 3 — Mr. Doern.

**MR. DOERN** Mr. Chairman, on the general insurance division, I have some larger questions but one small one is of interest to me as a homeowner and a smoke detector owner. I have a two-level house and therefore require three smoke detectors and I intend to put a third one in to save the premium which I only became aware of probably a month or two ago. Could you indicate how long you've had a policy of giving premium reductions for people who have the required amount of smoke detectors and what is. . . Let's take an average house, let's say somebody has a one-storey house with basement. So I assume they need two smoke detectors and so on. How long have you been making premium reductions for installation of smoke detectors and are : you making the public aware of this because I don't think you are?

**MR. DUTTON** Yes, to answer the first question, we were the first insurance company in this country and maybe in North America to offer a reduction in premiums if people would install UL approved smoke detectors and we did that from square one. We started in the business July 1st, two and one-half years ago, three years ago now, and there was quite a bit of publicity about it at that time and certainly all our agents were informed and we've been continuing this practice ever since. Now there is another insurance company who has since then followed our lead and is offering a form of reduction but not as great as ours. The reduction is 15 percent subject to a maximum of \$25.00 and this is available to a homeowner of any house. I have them installed in my own home because, although I realize they will not necessarily prevent a fire, it gives me early warning of a fire and what is in the back of my mind is the protection of my family more than anything else, and to the effect that I can get a \$25.00 reduction in my premium it is well worth it.

Your point on advertising is probably well taken but I think it is well recognized that the corporation has not done any advertising, both for Autopac and for the general business really at all. All the advertising we've ever been involved in is some advertising relative to the informational aspects of Autopac. Any other advertising is simply a little — it was on buses, I believe, that's about all, but we have not spent any money in advertising itself. In that area, perhaps we can be criticized and I'm certainly quite prepared to accept that criticism.

**MR. DOERN** Well, Mr. Chairman, I would say to the head of MPIC that I would regard his policies, you know, as best I can judge it, as a well-guarded secret. I think that there should be some public awareness campaign conducted by the government to make people aware . of the benefits of smoke detectors, which are becoming increasingly aware of as fire by fire — and especially in Ontario where there has been some tremendous disasters which are probably not only horrendous in terms of what happened but even worse, because in some cases they were arson. I'm simply saying that I do not believe that the average person is aware of the fact that they can save money. I believe they are aware of the fact that smoke detectors are a good thing and provide some protection but that they do not know that they could recover part of the costs of installation and upkeep by making an application to Autopac and following certain rules. So I would encourage the chairman and I would encourage the Minister to undertake some program here to make people aware of the benefit, economic, of installing smoke detectors.

I would then ask Mr. Dutton another related question. Apparently Ontario is considering compulsory legislation which would make great sense logically, just as seat belts do, but then in terms of practical application there can be some difficulty of enforcement, public resistance, public resentment, etc., etc. I was just wondering if Mr. Dutton could indicate whether there are any provinces — which probably are not — or any states, where they require smoke detectors in buildings

and/or private residences?!

**MR. DUTTON** I think there are some regulations, but I would have to check into it further, in one of the provinces relative to a certain type of building!, I believe apartments, etc., where they are mandator But I would simply have to go back and do a little more research to give a full answer on that.

Incidentally, on seat belts, we are capturing information for the Minister — it will take a year or so to get it — as to what would happen in each accident if the seat belt was used or the seat belt was not used, and I've always asked the staff to capture that same information regarding helmets for motorcyclists as to what we use. You know, it's interesting that in some jurisdictions in the world, and maybe West Germany is one that we should look at. They say there — the law said seat belts are the law, they're mandatory, you must wear them, but if you're picked up without wearing one, there's no fine. So people say, "What kind of a law is that?" The law is simply this: If you're involved in an accident and you're injured and you weren't wearing a seat belt, the law said you were supposed to be wearing a seat belt and therefore the amount of money that you'll be paid could be less than you would have been paid had you been wearing the seat belt. So that's how they get around it. But there are many areas and that's a very interesting one and I am trying to get more information on it as to what statistics would be ultimately in a situation like that. You can't force people maybe to wear seat belts but if the injuries are greater than what they would have been, then they are somewhat the author of their own misfortune.

**MR. DOERN** So if the corporation had its way — which it doesn't — but if the corporation had its way, you would have mandatory seat belts and helmets for motorcyclists.

**MR. DUTTON** Well, of course, this is just my viewpoint. I feel very strongly about it, yes. But, of course, there are other reasons other than the very narrow view that we take on it. We see it only as a case of reducing . . .

**MR. ENNS** One of the reasons is sitting right beside you, Jim.

**MR. DUTTON** Oh, I wouldn't say that, Mr. Minister.

**MR. DOERN** Are there any cars, I suppose there are X number of cars in Manitoba that have air bags. Do you make any premium reduction for people who have air bags?

**MR. DUTTON** No, we don't. As a matter of fact, I haven't run into a car in Manitoba with air bags as yet. I've often thought that it would be an excellent idea to equip, for instance, all the government cars with air bags and to find out just what the effects would have so you'd have a trial situation —(Interjection)— Somebody said, "They are."

**MR. DOERN** No, those are gas bags.

**MR. DUTTON** It would give us an excellent reading. You see, there's a big fight in the United States where the air bags are starting and air bags were originated by the All-State Insurance Company and they're a very powerful insurance company, one of the largest. But the motor industry, the automobile makers, are opposing them, they prefer the seat belt. Now you see sets of figures from both sides and who do you believe? I don't know. I would sure like to see at some time, first-hand information that we could use. Right now we haven't got any statistics that we can back it.

**MR. DOERN** But given an ordinary car, is there any premium, there's no premium reductions for having seat belts or for wearing them?

**MR. DUTTON** No.

**MR. DOERN** Are there any jurisdictions where they offer a premium reduction for air bags?

**MR. DUTTON** I don't know of any, no. Oh, yes, the All-State was offering a premium reduction for air bags but generally speaking, Joe, isn't that right? They offered a small reduction at one time if people would use air bags, but I think the cost is relatively high for air bags as opposed to seat belts and again the arguments — you can hear people argue with conviction one way or the other — as to whether they're good or they're not good. Well, what we're going to try to do is capture enough information for a year from now that will add some basis of fact that we can present to the Minister, because I truthfully cannot, other than give my own personal view, I have no facts and figures to back it up when I am talking to anybody.

**MR. DOERN** Well, the problem is the Minister is flying so many kites that he might fly away one

of these days in the process.

If an individual came to you and said, "I have a vehicle with air bags," or a group of people formed an association and said, "Look, we put out all this money and we want a reduction," is it possible the corporation could make such an adjustment?

**MR. DUTTON** Well, any adjustments are possible but whether we would do so or not would be based upon the circumstance presented to us.

**MR. DOERN** Mr. Chairman, I would like to go to another topic.

**MR. CHAIRMAN** Mr. Hanuschak.

**MR. HANUSCHAK** Yes, Mr. Chairma -e're still on automobile insurance? —(Interjection)— General? Well, very well. I noticed that my colleague was still . . .

**MR. ENNS** Well, that kind of latitude is normal.

**MR. HANUSCHAK** Very well, I appreciate that, Mr. Chairman and Mr. Minister. So then I have one further question related to automobile insurance and the same one is also relative to general insurance. How do our operating costs compare with those of the insurance industry in the private sector?

**MR. DUTTON** In what? As it relates to automobile or the general?

**MR. HANUSCHAK** To both.

**MR. DUTTON** Well, the general, I think, is similar to ours. We have a standard contract with agents which pays, I think, a standard commission or a commission certainly on par with any of the other companies. With automobile, it is a much different story. Our cost of doing business, and you must remember this includes a commission we pay the agents, the 2 percent premium tax we pay the government, includes all grants in lieu of taxes for any properties that we have, it includes our adjusting fees, it includes our legal fees; it came to 17.6 percent last year. I think when you compare that with a private sector, you'd find it is much higher.

**MR. HANUSCHAK** Ours is

**MR. DUTTON** Theirs is much higher.

**MR. HANUSCHAK** Theirs is much higher, which is a very good example, Mr. Chairman, I would think, of the public sector being able to operate a business efficiently.

**MR. CHAIRMAN** The Minister responsible for MPIC.

**MR. ENNS** Mr. Chairman, I wonder if the honourable member would let me interject and ask the chairman a question. If the corporation accepted the advice just given by his colleague, the Member for Elmwood, that the corporation should now enter into massive and large-scale advertising programs of any description or other, that it would affect these administration costs just mentioned which do show up very favourably vis-a-vis the private sector right now. Would that not be the case, Mr. Dutton?

**MR. DUTTON** Oh, certainly, advertising is expensive, but there's no question if we were to add advertising, which relates to automobiles particularly, it would increase our costs. When it relates to the general business, we haven't got sufficient volume yet to enable us, of course, to advertise to any consequence.

**A MEMBER** When you get the volume, you don't need to advertise.

**MR. DUTTON** Which comes first?

**MR. HANUSCHAK** Mr. Chairman, with relation to general insurance, at the present time, approximately what percentage of the total general insurance business does the publicly owned general insurance corporation . . .?

**MR. DUTTON** I think about 15 percent?

**MR. HANUSCHAK** About 15 percent.



**MR. DUTTON** We've been operating just a little over two years don't forget.

**MR. HANUSCHAK** Yes, yes. And it has doubled, practically doubled, from the previous year to the fiscal year, from 1976 to 1977, is that right?

**MR. DUTTON** It's gone up substantially. The figures you see in an Annual Report are not necessarily the premiums written and that includes with any superintendent's report and so on. It sometimes reflects the net premiums which means the premiums written less the money that you'd seed off to buy re-insurance and other factors too, and they've sometimes evolved on whether the premiums are on an earned basis or a written basis. So you have to be careful with a comparison but I think our figure is 15 percent.

**MR. HANUSCHAK** Of that property insured by the general insurance division, can you break that down into public and private? In other words, what percentage of that would be . . .

**MR. DUTTON** With the premiums we got?

**MR. HANUSCHAK** Yes. By public I mean school divisions, municipalities, governments . . .

**MR. DUTTON** Yes, well, on Page 4 it shows that we have 85,000 Manitobans are holding insurance protection in the general business. Of course, that indicates, that statement alone, that the vast majority of our business is not public insurance, in other words not insurance that is either directed our way or comes from public concerns. They come from private homeowners, this type of thing, and small business operators. In dollars, however, I haven't got a breakdown, but I think our income through the public sector — and that's what you're hitting at — is roughly around a couple of million; \$1.5 million, I'm advised.

**MR. HANUSCHAK** That's \$1.5 million of premium income?

**MR. DUTTON** Yes.

**MR. HANUSCHAK** I see.

**MR. CHAIRMAN** Page 3.—pass — Mr. Green.

**MR. GREEN** Mr. Chairman, of the 15 percent that we're clearing, dare I say it, I hope that it's not the crap that is coming only to the public corporation. Are you the residue of insurance that is not being sold by the private sector?

**MR. DUTTON** The answer to that is, we are exerting as much care as we can to insure that we're not getting the inferior type of business. There's no question that our philosophy was that we'd take our portion of it, but no more.

**MR. GREEN** Well, how do we know that you have the courage — I'm not trying to be insulting, what I am suggesting is that sometimes the public is worrying that if they don't cover it, that there will be an outcry. Have we worried about an outcry or are we refusing to carry the kind of risk that would not be carried in the private sector?

**MR. DUTTON** We are refusing to carry a number of risks that also the private sector refuses to carry. There are some risks that are simply not insurable, either for a moral hazard or for physical reasons. We do have a loss prevention department, a Property Inspector, a qualified engineer, who makes inspections on certain structures — and we have had many cases of this — who will say, "As the property now stands, it is uninsurable by our corporation, but . . . if you do this, and do this, and do this, we will then reconsider," and they will advise the underwriters that they can insure it. So physically, we can come to grips with it.

The big problem with ourselves and with any other company is the moral hazard. It may be there; or one of the other problems that we have, if you get a fire bug in the community and he starts to burn property, a person has no control over it. We had recently two cottages burn up, as you know, at the lake — you can't guess this type of thing is going to happen, because the people themselves are good moral hazards, they were good properties, we had them both insured and it was just our tough luck. So these are the things that you do have, but I am of the view, because of the type of underwriters that I have, and because of the instructions given to them, that we are not getting a disproportionate large number of bad risks. In fact, our loss picture shows that, the profit structure at this stage shows that that's the case.

**MR. GREEN** Do you think that you are getting a fair share of property that we ourselves own, such as Aronovitch and Leipsic Limited? — or other people would get all of the property that they own — that is my understanding — that the private sector would never insure their own property with another company. Are we getting a reasonable share of what we own with our company; for instance, schools, things that not only that we own, but are 100 percent publicly funded, schools, hospitals, things that if the private sector owned they would never give to anybody else? Are we getting a reasonable share of those?

**MR. DUTTON** Well, I think we can answer regarding schools and hospitals first, if I may. We have never had schools or hospital business directed our way; if you're talking about somebody directing 100 percent of the properties they owned to a certain insurer, that has never been the case. The only place we could get schools and hospitals or any municipalities is through the competitive factor. We've to compete with anyone else.

We were fortunate when we first came in, because if you'll recall schools was a bad name insurance-wise because of all the vandalism and no one wanted to touch them. We were able to fill the gap for awhile, and the situation has improved with schools. We find the private sector are now getting interested again, and maybe if our competition isn't sharp enough we are going to lose a few.

So therefore the schools and hospitals, we never ever did get only on a competitive basis. When it comes to government properties, we did receive a number of government properties, and again it's not a case of us having the highest rate — in many instances, we had better rates than the expiring policy was, and we were hoping that we were establishing a good market for them. The policy, of course, as we are all aware, has been changed now, and if we have the sharpest pencil we can have a portion of that business, but no longer is it directed our way as a must to any of the other Crown Corporations or Departments of Government, at least that's my understanding.<sup>3</sup>

**MR. GREEN** So as distinct from the private sector which would direct their own property their way, the public sector has not done that or has not done it now?

May I ask, Mr. Dutton, with regard to the general costs, aside from any philosophical consideration, what would be the administrative savings if, for the large majority, that other than cars that are rated, etc., the entire revenue came from a premium added to the gasoline tax instead of a premium charged out on an individual policy basis?

**MR. DUTTON** Well, to arrive at that is difficult. We'll have to work back from the 17.6 percent as we pay out now; we'd have to establish of course what portion at 17.6 percent of our total administrative costs are taken out on claims — there would be no change, we agree on claims — legal fees, there'd be no change in legal fees. And the portion of the biggest reduction, if it all did come from premium to gasoline tax, would be the agent's commission. The agent's commission, right now is 5 percent on the basic coverage and 10 percent on extensions.

Other portions of saving of course would be on the handling of the vehicle registrations themselves, and too perhaps, as a matter of fact no question, the premium on drivers' licenses. Now this would only be a small portion because somebody has to issue a vehicle registration, and somebody has to issue a driver's licence, and one of the reasons our costs are so low is we made both of them coterminous documents, when all we did is added our premium to a document that was already being issued. That's one of the secrets and one of the reasons our costs are the lowest in Canada.

What the total saving would be worked out, maybe our Director of Finance here has a calculator here — if you can get any ideas on it?

**MR. GREEN** Do we talk about two and one-half percent?

**MR. DUTTON** Yes, I would say, two and one-half percent.

**MR. GREEN** Two and one-half percent would be two and one-half million dollars right now.

**MR. DUTTON** Yes.

**MR. CHAIRMAN** The Minister responsible for MPIC.

**MR. ENNS** Well, Mr. Chairman, I wonder if the Honourable Member for Inkster would just allow me an interjection at this point on the same subject matter raised by his colleague, the Member for Burrows, when he was questioning the Chairman with respect to the amount of business that was written directly by the corporation and/or by its agents. I can be corrected, and I stand corrected,

Mr. Chairman, and I would ask you to do so, but it seems to me that at one stage of the development of the Crown Autopac Corporation considerable weight was given to the concept of not having to deal with agents and selling the insurance across the desk.

Our experience, as you've related to the committee this morning, has shown that not to be the case, that in fact by preference the amount of business written through agents is substantially higher than perhaps originally anticipated, and indeed is growing, so that the question of the major portion of savings that you eluded to as available going through the gasoline route, obviously is not at this time one that is being demonstrated by the consuming public in the sense that they have shown a preference; I believe some 87 percent right now of the premiums written, and that is growing, to utilize the independent or the small agent wherever he may be located throughout the Province of Manitoba.

**MR. DUTTON** That is true, it is 87 percent, that is writing through agents with a much smaller percentage than that initially, but the agents of course now are used to handling Autopac and they do a substantial amount of advertising — and there is no question, whatever means they are using they are attracting, each year, increasingly large amount of Autopac business.

**MR. GREEN** Mr. Chairman, I don't think that the Honourable Minister is comparing two equivalent situations. Under the present system, the fact is that the person who wants insurance still has to make an application, and he has to do it either at an agent's office or at the Motor Vehicle office, but he has to do it. I'm suggesting the situation where he would not do it in either case, that he would merely drive up to the pumps — and unless he was being rated, or unless he had been involved in an accident, when he filled up his gas tank he would be insured. And therefore, you have to compare the situation as a resident wishing to get insurance when he went to the pumps, or to have to go and apply, which you have to do when you are applying for registration of your motor vehicle or to renew your motor vehicle licence, and you have to include the insurance. And I must say, Mr. Chairman, I think that we were somewhat less bold in the public service, which I blame us for, I don't blame the agents. We don't even include a self-addressed envelope. We should include a self-addressed stamped envelope, in my opinion, and this would reduce considerably the costs of providing for motor vehicle insurance, and would not have a good number of people making money on the system which they have philosophically expressed that they are against; that there should be restraint, that if you have people working doing nothing, they should be fired. —(Interjection)— If people are making money doing nothing, they should be fired. .

There should be no freeloaders, and if you can do it the most efficient way, you do not choose the least efficient way. And what I am suggesting, is that the most efficient way is for everybody else, except those who are brought to the attention of the Branch by virtue of an accident, or something else, and I estimate those to be less than 10 percent of the drivers in the Province of Manitoba, that those are the only people that you should have to deal with, and that everybody else could buy their motor vehicle insurance by neither going to an agent nor going to the Branch — and you have to compare those two systems — not the system of going through an agent as is done now, which is fine, we have permitted that to exist — but I do not know why we have been so bashful in selling our own service which is the least expensive, by means of when they send me my driver's licence which indicates that I am to return it by putting in a self-addressed stamped envelope to the Motor Vehicle Branch, and then I would be insured.

And it seems to me that those people who talk about restraint, and reducing costs, and eliminating unnecessary expenditures because of the terrible waste, and the leaking taps that exist, here is a way of stopping a leaking tap, operating with great restraint and saving money to the people of Manitoba; that's good conservatism.

**MR. MINAKER** Mr. Chairman, to you, Mr. Dutton, if we followed this reasoning of Mr. Green, have you any suggestions how we would look after the good driver who happens to put a lot of miles on his car or happens to have say a very expensive Mercedes or Cadillac, when he drives up to the pump and orders his gas, that has the same mileage rating as somebody who maybe drives a much less expensive car? How would these types of proposals, in your opinion, be overcome, or would the good driver who happens to put a lot of miles on in a car that's not as expensive as the Cadillac operator, how would you stop this person from subsidizing that other particular vehicle?

**MR. DUTTON** I can think of many circumstances if the 100 percent premium was derived from the gasoline tax only; it would of course create administrative problems. Naturally, because first of all right now we do have a division that I mentioned earlier in the heavy equipment division; after all, we only insure the big unit for \$15,000 and if you want more coverage than that you must buy it. If you eliminated this, it would mean that a person could be driving a unit perhaps with its equipment

worth \$200,000 and maybe paying just a very small proportionately more, depending upon the amount of gas he used. I don't know just how . . . it would require an in-depth study to give a full answer of all the ramifications of such a move, there's no question about it.

**MR. MINAKER** So, Mr. Dutton, if I understand your answer then that by taking this different approach, you're still going to have different administrative costs — maybe not the same ones, but policing costs and so forth or some way trying to overcome the inequities that would obviously occur if you just had a straight, so many cents per gallon at the pump, and didn't take into account the different values of vehicles, the different miles that individual drivers can put on their cars and also the efficiency of the car, is that not true that you'd have these additional administrative costs that you don't have now?

**MR. DUTTON** May do. I hesitate to answer any of these questions because I simply have not made a study on them, and I don't want to be caught off base.

**MR. MINAKER** Mr. Chairman, I have another question but it relates to a different subject, so if we're still dealing with this subject I'll yield.

**MR. CHAIRMAN** Mr. Doern and then Mr. Green.

**MR. DOERN** Just one point here, and that is that obviously the ratio of agent sales to MPIC sales depends on the will of the Corporation to compete with the agents, and I think that's what the Member for Inkster was alluding to and what I would state, namely that if MPIC wanted to compete for this business, it could do so, and if it has a lack of will or enthusiasm for whatever reasons, government or within the Corporation, political etc., etc., because the easiest charge then would be for the agents to cry "foul" and for the statement to be made that the individual agents can't compete with government and so on. That would be a standard and traditional response and perhaps true. But I would say that the mere fact as the Minister points out, the mere fact that sales in terms of agents has increased by leaps and bounds does not necessarily demonstrate that people prefer to deal with agents; it may indicate that the Corporation has simply stepped back and allowed this to happen.

**MR. CHAIRMAN** Mr. Green.

**MR. GEN** I want to go back to the same issue of what Mr. Dutton has indicated is that there would have to be an in-depth study, that present fast calculation in terms of agents commissions and administrative costs of the Motor Vehicle Branch that we're talking, Mr. Chairman, of 2-½ million dollars. If the Honourable Minister wishes to set up a Task Force in this connection, I wish to apply for membership, Mr. Chairman, because I wasn't very happy with the membership from the inefficient private sector of the other Task Force which produced a farce — (Interjection) — that's right, which produced a farce.

I would like to indicate that the administrative problems that Mr. Dutton has spoken about are ones that you have now. Anybody seeking extra coverage has to now apply for extra coverage. Anybody dealing with a problem which involves an accident has to be dealt with by the Motor Vehicle Branch now. What you know you would do is eliminate the entire process of registration, collections, bringing in plates, cancelling plates, for 90 percent of the population which never have to deal with the Motor Vehicle Branch. And if we raised the basic from something like — what is it now, fifty — if we raised that to a higher figure at almost no additional cost because you could have the saving, and then you would be dealing with a great many more people.

So when we are talking about administrative costs, there are administrative costs either way, but I don't regard it as an unfairness, frankly. I do not regard it as an unfairness that a Cadillac driver, which uses more gasoline — well, I think they use more gasoline — Mr. Chairman, they use more gasoline than a Honda, that's for sure.

**MR. ENNS** You missed the point, no, no, you missed the point.

**MR. GREEN** . . . I think that that is for sure, and I do not regard that as being more inequitable than building up the costs so that both of these people pay more money, because what you might find is that though the relationship may change, that everybody may pay somewhat less and if everybody pays somewhat less, it's like cutting off your nose to spite your face. To say yes, but my relationship to the other guy is not the same kind of equity as it was before. The fact is that the equities now are that we have a district in the Province of Manitoba, District 2, that is being subsidized by the city in the north, because the farmers have been paying less insurance since Day One; they are not entitled to less insurance on any other rate except that they are farmers.

**MR. ENNS** That's a good enough reason.

**MR. GREEN** Mr. Chairman, if my honourable friend, the Member for St. James is worried about inequities, I tell you that inequities exist under the existing system and that if we had one rate in the Province of Manitoba, both for north, south, and the rural population, and we regarded each other as being equal rather than unequal contributors to this fund, it would be a far greater equity than straightening out the problem that exists between a Mercedes-Benz and a Honda, and you would save money on everybody. And if the rate was the price of gasoline which, Mr. Chairman I make you this prediction, if one private automobile insurer was given the franchise to sell all automobile insurance in the Province of Manitoba, they would tell you to pick up the rate through the gas tanks because that's the easiest way. And then, I would pay 20 cents a gallon extra in gasoline, if I drove my car a thousand gallons a month, you're talking about 12,000 gallons a year which if we charged 20 cents — what does that work out to. . . ?

**A MEMBER** It would be closer to 30 cents a gallon.

**MR. GREEN** It's 20 cents a gallon. Each percentage in gas tax produces about \$4 million, 3-½ million dollars and twenty times that produces about \$70 million. And there is the other gasoline too, the diesel fuel, which also produces revenue and those things together I would estimate take care of our insurance. If we drive 12,000 miles a year and you are making 15 miles to the gallon, then you are paying less than \$200 a year for insurance and it seems to me that the citizen would prefer to pay less than \$200 by buying it through the pumps, than paying \$250 or \$240 and having this so-called equity that my learned friend is talking about.

**MR. CHAIRMAN** Mr. Minaker.

**MR. MINAKER** Mr. Chairman, through you to Mr. Dutton. Mr. Dutton, because we collect the money in advance for insuring the car, what type of a percentage do you gain by having the money in advance to invest? What I am saying is, in other words, if we went over to an ongoing where there is just a flow coming in, you're obviously going to have a loss in your first year but would it make any difference, you know, with the kind of percentage . . .

**MR. DUTTON** It certainly would make a difference. I haven't worked out the amount but that's what I meant when I said an in-depth study. First of all, the figure I've picked out of the air of 2-½ million may not be correct; that possibly is light. I was sitting here calculating mentally and I was listening at the same time, but I still feel a change of the type that you suggested when there is no place in the world that you can go to pattern yourself after, is so drastic that certainly an in-depth study, that's what I'm talking about, an in-depth study would be necessary because even this one factor just mentioned here, that how much would we lose by not getting the money within a period of about six weeks is involved. There are many other factors involved but it is different; it is unique.

**MR. MINAKER** Mr. Chairman, I can't ask Mr. Dutton this but one of the things that comes to light is I wonder what would happen to our tourist industry if — I don't know whether Mr. Green is suggesting that everybody that drives a car in the province, whether it's out of province or in province that pays the insurance tax as well or not — but I would imagine it would affect the insurance industry to some degree if we had a 30 cent premium for the tourism industry. I meant to say if we had this kind of collection and I would presume that if you had to depend on the pump man when he filled up the car to make a note whether it was out of state or out of province, then it would require bonding of each person on the pumps if this was a decision made by the province? Would it require bonding?

**MR. CHAIRMAN** The Chairman and General Manager says he is not in a position to answer that question. Mr. Green.

**MR. GREEN** Let me say to you that it did not dissuade me from going to Israel, that I had to pay \$2.00 a gallon for gasoline, and in Europe. . . —(Interjection)— No. Mr. Chairman, I am suggesting that my honourable friend's fears are specious. If he was that worried about them, if he really was worried about them, you know, when a tourist travels 500 miles in the Province of Manitoba which is a fairly big distance, you could give him a rebate of the five or six dollars in taxes, if that was a problem. I suggest to you it would not be a problem, that those people who are coming to the Province of Manitoba by vehicle would not stop coming because of a difference of three dollars in gasoline. That is not a feature in them coming to this province. If you think it was and if you were so sensitive about your ability to attract it, as a matter of fact they may find it interesting, that here is a province where instead of paying \$600 or \$700 for insurance coming

from Alberta, that you could pay \$250 travelling and having it fully financed, fully financed, and when you talk about the interest, there is no loss in interest. If you deal in finance, the amount that you lose in interest, the citizen gains in interest by not paying. There is absolutely no loss.

You deal in economic terms, the money that you leave in the hands of the citizen, he gains an interest. You will still have a flow, because the amount that you are receiving on the average is not paid out for a period of one and two years so you still have a flow on which you are making interest which you are then putting back because from the very beginning, Mr. Chairman, this province has done everything to bend over backwards to make the automobile insurance company not appear as successful as it might be. If we charge the same premiums as everybody else and took the money and put it into general revenues which we were prohibited from doing from Day One and which we specifically prohibited ourselves from doing, not only would we have the same premiums but the public would be showing a profit every year in the operation of automobile insurance. Also we take the interest and put it back into the rates. No private company does that, no private company takes the interest and reduces rates by it. They charge on the basis of operations and the money that they take in interest, they consider theirs, that's what they said when they appeared before this committee.

So, if the public were to operate on the basis of competitive rates with the profits going into the Treasury, and the interest being a part of the accumulation of the fund, then our true efficiency would be shown. As it is, we are operating very efficiently, but there would be no loss in interest to the people of the Province of Manitoba if they paid by gas tank, because that amount that they didn't pay would be in their pockets and that represents an interest feature.

**MR. ENNS** Well, Mr. Chairman, obviously the Member for Inkster is serious about this and obviously the members of the Corporation will take a look at it, but I want to also have on the record the implications of it. He is now asking MPIC to fire 300 agents, gainfully employed people in Manitoba, plus the associated staff which could well number to seven or eight hundred or perhaps a thousand people that we are now supposed to put out of work. That's what the Member for Inkster is suggesting. I want that to be noted, Mr. Chairman, for the public record.

**MR. CHAIRMAN** Mr. Green.

**MR. GREEN** If what my honourable friend said is true, then the public would hang me if I didn't do it. Still, there are a thousand people doing nothing which they are paying roughly \$15 million a year for, which is what the member is suggesting, and if I didn't suggest what I am suggesting, the public would get rid of me damn quick and get somebody else who could save them that \$15 million.

What my honourable friend is saying, unfortunately my plan is not as good as he makes it out to be, because it would represent a small percentage of the insurance agents money; they would carry on as rugged individualists doing something useful and still making money, they wouldn't be fired, and in terms of the staff, I don't, Mr. Chairman, I don't believe that we could save 700. But if we could, damn well, I say, save them. Yes, we'll find something useful and productive for them to do producing wealth in this province.

**MR. ENNS** That's what we've been saying for the last six months, Sidney. It doesn't come out that way in the press.

**MR. GREEN** Well, that's your problem, not mine.

**MR. ENNS** Right, right. I'm just pointing out your problem, and it won't come out that way in the press either.

**MR. CHAIRMAN** The Chair recognizes Mr. Doern.<sup>1</sup>

**MR. DOERN** Mr. Chairman, there are too many people here with too many problems.

**MR. ENNS** They can waltz in here and talk about firing 700 people and get away with it, you know. It is damn nonsense.

**MR. DOERN** Anyway I would like to switch the topic for a moment to — without precluding further discussions here — but I would like to ask some questions about the General Insurance Division.

In the report it was indicated that you had a premium of over 8 million; a net profit of 1.4 million of which 1 million was allocated to a catastrophe and contingency reserve; and that you have 85,000 Manitobans now holding insurance protection with the corporation. Just on that latter point, what percentage of the market is that? How many Manitobans hold such insurance, is it one-quarter of a million or one-half a million, or what is the sort of market total?

**MR. DUTTON** We can only equate it at this stage. What we haven't looked at is the total premiums written in the province, and working back from that the premium income that we have represents about 15 percent. Now if we were looking at the number of homeowners we would have to use another base, I suppose, and work on the number of people that own buildings in here and work back from the figures that we have, and which I haven't done. I don't know whether there is an estimate here or not. I am advised that they are of the view that we have about 25 percent of the homeowners.

**MR. DOERN** Now, we established a policy a couple of years ago, it was referred to by the Member for Inkster, whereby we required that government buildings should be insured by MPIC, and this is the kind of policy that would be taken without debate in the private sector, but apparently in the government sector there has now been a change already in the policy.

I also wanted to ask Mr. Dutton if he could maybe clarify this question. My understanding is that a number of provinces are self-insurers, including the Federal Government, and that some of the provinces insure smaller amounts — they are self-insurers up to, in the case of New Brunswick 25,000, Nova Scotia 10,000 — these are old figures, I am going back six or seven years. But in general to qualify as a self-insurer I assume that means either you insure yourself or you use a public corporation, another public corporation to insure yourself against fire losses. So could the Chairman indicate to us sort of coast-to-coast on a general basis, whether most provinces in fact are self-insurers, and consequently avoid using the private sector.

**MR. DUTTON** I think that is quite right. I think it is a principle of insurance that if you have a spread of risk, quite a few properties running into some value and have the resources that a government has, they can easily become self-insurers. By that, really what roughly it means, is that they don't buy insurance. They pay any losses they have and they may set aside a sum of money as a base from which to draw on for any claims that you may have.

I believe Manitoba, the government is not necessarily a pure self-insurer, but I believe they have a catastrophe limit of which they wish protection. So they are partially self-insurers.

Incidentally, if I may get away from the point for a minute, I never could understand the government's philosophy here, or as a matter of fact the same thing applied in Saskatchewan when I was there, that they will become self-insurers for millions of dollars on properties and yet will lower the deductible on private passenger cars to \$50, in other words, saving \$150 per unit, but will not increase the third party coverage when it can run into hundreds of thousands in claims. But that is a matter of somebody working it out.

Most governments, you are quite right, are self-insurers and that includes some of the larger cities and if they run into any insurance at all they may set a catastrophe limit above which they may really get hurt and they insure beyond that limit. For instance too, some of the Crown corporations have a similar policy. Hydro in some instances has a million dollars deductible. Now anything, a loss that may occur over that would hurt very substantially and therefore they insure beyond that point. Even in the private sector too, some companies will carry large deductibles and in effect they are partial self-insurers themselves. But the government here and the government, I think, of all provinces pretty well are self-insurers.

**MR. DOERN** Now, I want to talk about the current point where MPIC did some bidding and lost. That has never been made very clear.

**MR. DUTTON** Well, these were not the . . . I think we should define what is the government. It is my understanding that on government properties themselves as opposed to separate departments of government, in other words a Crown corporation is an agency of the government. They have their own board and they have an obligation to make sure of the financial stability of that organization, and they are not self-insurers, they buy insurance.

The same thing applies to just about all the boards, but the government and the various departments of government are self-insurers. If you are referring to the one instance where we lost out, that is an agency of government that had been carrying insurance right along, as opposed to government itself.

**MR. DOERN** Well, just on that particular point, you know, it would seem logical to me and obviously

our government followed the logic through, that any insurance over and above being a self-insurer or self-insuring up to a point or using, even including the Crown corporations and so on, that it would make sense to have MPIC cover them all, and that has now been rolled back.

**MR. DUTTON** Yes, well, of course, as the General Manager obviously I must agree with you as any business I get. But this is a matter of policy and it is not a policy decision that we can set. Incidentally we were never involved under the previous administration when it comes to carrying insurance for any of the departments of government, that wasn't a direction that came to us, that was a directive that went to those people responsible for pricing the insurance in the various corporations, and they approached us. It was not a MPIC arrangement.

**MR. DOERN** No. It was a directive that I sent out throughout the government I guess about two years ago.

**MR. DUTTON** We were aware of it, I am just saying we didn't, the directive went out. . .

**MR. DOERN** But let's take the current situation which occurred in the last six months again. Maybe you could refresh my memory. MPIC covered — what agency was it? Where you put a bid in and lost?

**MR. DUTTON** Well, we did go into a couple of agencies, some we won, but if you are talking about the one that got publicity . . .

**MR. DOERN** Let's take the one you didn't get. There was some that you did win then?

**MR. DUTTON** Oh, yes.

**MR. DOERN** The general policy on government buildings, was it? But holding that aside for the moment, you say that you have bid on other government accounts and been successful in the last six months?

**MR. DUTTON** Yes, if one is saying bidding, yes, we were in competition with other sectors. It is not a case of tendering their business as such through newspapers and so on and so forth, but certainly we were compelled to have a sharper pencil than our competitors.

**MR. DOERN** Right, and you were successful in. . .

**MR. DUTTON** In some instances, yes.

**MR. DOERN** How many instances?

**MR. DUTTON** Oh, I don't know. How many Bill? Two.

**MR. DOERN** Two instances and in another one you lost. What was that for again? That was just the general one on government buildings.

**MR. DUTTON** Yes.

**MR. DOERN** That is the one that I am most interested in. There were some explanations given — I know the Member for St. Vital pressed the Minister of Finance on a number of occasions. I don't know if we ever did get that information. I don't know if the Minister is familiar with this. But what happened was bids were taken, certain statements were made, but the bids were never made public. There was a statement made how MPIC, its premium had gone up so much from the year before and it had come second or something but we never did get the list.

**MR. DUTTON** Well, the information was certainly given to me. I had it. I believe it was released, probably not as a news release, but certainly it was made available to the media. I recall that it was an inaccurate report in print to the effect that we were the second high, and of course that wasn't the case, we were the second low. I did have the name of the companies and I went so far as to correct an article that appeared in one of the Canadian insurance publications, or had it corrected through our Director of Promotion, which stated that we were second high, and I had him list in there the quotations from every source without naming the companies. So the information certainly was made public and if the media here didn't get it, I am sorry. What I am saying is I don't know of any deliberate attempt to conceal this information because I certainly had it.

**MR. DOERN** Well, those are words that happen to coincide with mine. I would ask the Minister



whether he could provide the Committee, since we won't finish today, but if he could provide the Committee with the detailed breakdown of those bids. I really don't understand the problem. The Member for St. Vital has been pressing the Minister of Finance, he has made speeches on it, it should be public information. I assume that all the participants are aware of what the dollar values were and so on, but yet somehow or other — and we asked for this right near the beginning of the Legislature — we still don't have the list. I would like to see the list. Who bid? How much?

**MR. CHAIRMAN** The Minister responsible for MPIC.

**MR. ENNS** Well, Mr. Chairman, it would be my hope that there would still be an opportunity of approving MPIC's report in the remaining ten minutes, but with respect to the specific answer I see no problem. I believe it has been made in the House. Certainly we will have it available to the Committee members. It has been published.

I believe the problem has been as to the makeup of the successful bidders, you know, who in turn may well have reinsurers or groupings of companies that have been involved in that bid. I believe the bid was made through a brokerage firm in Toronto and is listed as such along with the three or four other bids that were received, including MPIC's. That information is a matter of public record and if it hasn't come to the honourable member's attention, it will be brought to his attention forthwith.

**MR. DOERN** Well, then I ask the Minister whether he would now take the whip off the General Manager and allow him to give us the figures right now? I would ask Mr. Dutton, can he. . .

**MR. ENNS** Mr. Chairman, I don't think that that is an appropriate remark. It certainly does not bear out the nature of the proceedings this morning with references to a whip being placed on the General Chairman of the Manitoba Public Insurance Corporation.

**MR. DOERN** Well, then I will reword it to more acceptable and delightful language. Would you allow Mr. Dutton to release those public figures to us right now?

**MR. ENNS** Mr. Chairman, that wording is also not acceptable to the Minister. I would simply ask the Honourable Member for Elmwood if he has a question to ask to the Chairman of the MPIC Board to ask the question.

**MR. DOERN** Fine. Well I ask then, can Mr. Dutton tell us what the figures were? Can he explain the situation? There were half-a-dozen bidders, who bid so much and you came second and all that. Can you tell us what the dollar values were and who won and explain your bid in relation to the fact that you previously held it?

**MR. DUTTON** Certainly, the information, as I mentioned earlier, has already been made available to, I believe it was Canadian Underwriter, I can't remember the publication. I was not aware that I was under any muzzle as to giving any information, because certainly I am not. To be fair, I don't know, I haven't got the information here. I can give you approximate figures, but if you want exact details and who they were, please permit me to commit it to paper and give it to you, because I would be glad to do so.

**MR. DOERN** Okay, fine. I would ask that, but I would still ask you this. You came second. . .

**MR. DUTTON** We came second, yes.

**MR. DOERN** Who won the bid? Do you know? Because it is unclear.

**MR. DUTTON** Yes, I do. The bid was won by a brokerage firm called Reed, Shaw, Stenhouse, who in fact then placed it through about four other companies, I believe it was.

**MR. DOERN** So did they actually put up the bid or did they get the companies and then put up the bid, or do they win the bid and then put it out?

**MR. DUTTON** I can't answer that because that is part of their internal workings. I don't think that they indicated in their bid just what companies they were representing. That is not to say that they didn't have authorization at the time they put in the dollar quote.

**MR. DOERN** Well, can we find out?

**MR. DUTTON** You can't find out from me, sir, because the only person that can answer that question

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would be Reed, Shaw, Stenhouse. I can't answer that and I am sure they wouldn't care to communicate that to me.

**MR. DOERN** Can you tell us how much the dollar figures were between the first bid and your bid? What were they approximately?

**MR. DUTTON** Roughly \$10,000.00.

**MR. DOERN** And what were the figures, like \$1 million or one-half a million or . . . ?

**MR. DUTTON** Pardon?

**MR. DOERN** \$10,000 on what? — \$100,000, half a million?

**MR. DUTTON** No, I think our quote was around \$40,000 I think — yes, the highest bid which wasn't ours was \$58,000.00.

**MR. CHAIRMAN** I might mention to the members of the committee that we, as a committee, have just accepted an Order for Return from Mr. Doern that the general manager will supply the members of the Legislature with as much information as he can pertaining to his questioning on this particular matter as he can put in written form.

**MR. DOERN** Right, I do want you know, it down to dollars and cents but we're also getting a general impression. I'd like to ask the Minister of Finance a question too in this regard.

**MR. DUTTON** Can I give you the general — and these are rough figures — because we're just quoting from memory. The lowest quotation I believe was \$45,000; ours was \$58,000 . . .

**MR. DOERN** Yours was \$58,000.00?

**MR. DUTTON** Yes, and the highest quotation, there were two other quotations, I don't know what they were but the highest was \$64,000.00. In other words, we go from a quotation of \$64,000 down to \$45,000.00.

**MR. DOERN** And how many firms bid?

**MR. DUTTON** Five.

**MR. DOERN** Five. And it was explained in the press that your bid was up such-and-such a percent over last year.

**MR. DUTTON** Yes, that's right.

**MR. DOERN** Twenty percent higher or something?

**MR. DUTTON** About \$10,000 higher I believe. Again, you're asking us to talk from memory of an event that happened months ago out of maybe many hundreds of risks that we quote on.

**MR. DOERN** I wonder if I could, Mr. Chairman, direct a question to the Minister of Finance because he could clear this up.

**MR. CHAIRMAN** I'm not sure that the Minister of Finance has to, at this committee, answer.

**MR. DOERN** No, he doesn't have to answer but I would like to ask him anyway and see whether he will. My understanding is that in the House you never did release the figures of the various bids on government building insurance, that the Member for St. Vital asked you for something, you gave him something, he said it wasn't satisfactory. Have you released the information on the various bids to the House?

**MR. CRAIK** For the Member for Elmwood, just to bring him up to date, the Member for St. Vital filed an Order for Return in the Legislature, in the House, and it was accepted about two weeks ago or ten days ago, some time in the last two weeks. But on the point here, you're attempting to elicit information from MPIC as to how a competitor goes about formulating its bid and I think it would be a little difficult for MPIC or any other person who is competing with the winning group to acquire from them how they put together a bid. But the figures, as I recall, are roughly as indicated by Mr. Dutton.

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**MR. DOERN** So, the Minister of Finance can't provide any more information than the fact that it was won by Reed Shaw but as to who actually put up the money or covered it, we don't know. It seems to be a well-guarded secret, that's why I'm asking the question.

**MR. CRAIK** Mr. Chairman, there's nothing well-guarded about it. We accepted the Order for Return and the information will be provided in the House.

**MR. DOERN** Okay, so in other words, I find this a peculiar thing, Mr. Chairman, that the normal practice of government is to open tenders and make them public but for some reason that I'm unable to understand, and for some reason, the Minister of Finance has been keeping this information under wraps. He did not make it public at the time; he did not give the bids. He simply announced that MPIC lost which seemed to be one of the main points of the exercise and from that time to the present, we have been unable to ascertain how close they were, who actually won.

And I make another point. The thing that concerns me is this: when you put insurance out to tender, given the present environment in the province, namely a new government with certain bent and biases and a former government, I have this uneasy feeling that this whole bid may have been a loss leader and it may have been a deliberate attempt on the part of a consortium to bid low to demonstrate . . .

**MR. ENNS** We're looking forward to picking it up next year if that's the case.

**MR. DOERN** . . . to demonstrate taking this as some kind of a contribution on their part to supporting this great government and so on, that this is how they are doing it. They are willing to take a financial beating to further some other objective and that's why I'm saying to the two Ministers here, why this great secrecy? Why didn't we get this information? Why do we have to put in an Order for Return? Two months have gone by, we still don't know, when the normal practice would have been to release it at the time.

**MR. CRAIK** Well, Mr. Chairman, if the Member for Elmwood had read the newspaper at the time . . .

**MR. DOERN** I did read it.

**MR. CRAIK** . . . the information was put out, there was a request came back for information. I think the top three were indicated and the background of the bids at the time and he wasn't aware obviously that there was an Order for Return already accepted in the House for this same information nor was he aware that at the time of the tenders that the underwriters or the group, Reed, Shaw, Osler, the names were given at that time as well publicly, as public information. He doesn't seem to be aware either of what's in the newspapers or what orders have been accepted in the House and all I can tell him is that there is certainly nothing there that there is any hesitation about putting out. The tendering of the insurance isn't necessarily the same as . . . The tendering practices for many activities in government vary. When the request was made for supplementary information at the time of the original announcement, supplementary information was given and the Order has been accepted and it's a all wide open.

**MR. DOERN** Well, if the information was given, why was the Order necessary?

**MR. CRAIK** Well, the member obviously wanted more information. Your information was given at the time of the awarding of the tenders consequent to a request from some of the media people. I think the top three tenders were given as well as all the names behind it.

**MR. CHAIRMAN** Gentlemen, the hour of 12:30 having arrived, committee will rise and it will be announced in the House by the Government Leader when the next sitting of Public Utilities Committee will sit.