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Second Session — Thirty-Third Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

36 Elizabeth II

Chairman
Mr. S. Ashton
Constituency of Thompson



VOL. XXXV No. 1 - 10:00 a.m., TUESDAY, 24 MARCH, 1987.



**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Third Legislature**

Members, Constituencies and Political Affiliation

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BAKER, Clarence	Lac du Bonnet	NDP
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BLAKE, David R. (Dave)	Minnedosa	PC
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES
AND NATURAL RESOURCES
Tuesday, 24 March, 1987

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. S. Ashton (Thompson)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cowan, Doer, Harapiak (The Pas), Penner

Messrs. Ashton, Dolin, Enns, Filmon, Manness, Orchard and Scott

APPEARING: Mr. R. Silver, President and General Manager, MPIC

MATTERS UNDER DISCUSSION:

1986 Annual Report of the Manitoba Public Insurance Corporation

* * * *

MR. CHAIRMAN: Committee, come to order. First of all, I would like to call on the Minister, if the Minister has any statement.

MR. G. FILMON: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Mr. Filmon on a point of order.

MR. G. FILMON: I wonder if we could establish what the method of procedure of the committee will be. It's normal for the Minister to have an opening statement, and I assume that I will have an opportunity to respond to that opening statement.

I wonder if we could have, as well as an understanding on that, an understanding that members of the committee be given the greatest possible latitude in asking questions of the Minister and officials who are here. We have the unique situation in which the Minister has changed his story three times in the past week on the overall issue and, I believe, that it's important that we not be restricted to certain lines of questioning or, indeed, that we don't have a restriction that says that two members from the same side of the House cannot follow each other in questioning, or cannot follow in to get the fullest and most complete information on the table as possible right from the beginning. Can we have some understanding on that?

MR. CHAIRMAN: We have a standard way of proceeding which includes the Minister and officials of the Crown, if necessary, making a statement. Then those members wishing to become involved in discussions,

either in terms of questions or in any other way, seek recognition from the Chair.

I don't think there is anything more I can add to that. I think members are aware of the normal procedures, and it will be my intention to follow the same procedures this committee's followed on previous sittings.

MR. G. FILMON: Okay, I would like to be on the speaking list then.

MR. D. ORCHARD: I'd like to be on the speaking list, Mr. Chairman.

MR. CHAIRMAN: Okay.
Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Thank you, Mr. Chairperson. I'd like to now make a statement. I presume it's going to be circulated to the members of the committee. Mr. Chairperson, members of the committee . . .

MR. CHAIRMAN: If members wish other copies to be made, that can be done. I'm wondering if we can't proceed in the meantime.

MR. H. ENNS: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Mr. Enns on a point of order.

MR. H. ENNS: Mr. Chairman, on a point of order. You had indicated a little while ago that we would follow established procedure at these committee hearings. Part of the established procedure is, as a matter of courtesy, if a formal statement is made by whoever is making it, copies be made available to members of the committee at least.

MR. CHAIRMAN: I believe the procedure, Mr. Enns, is that copies have been made. However, there's no clear direction as to how many and who receives them.

I'm suggesting that we proceed with the statement, and that those members who haven't received copies who wish to receive copies indicate it. The Clerk of Committees will be more than pleased to oblige, if that's agreeable to the committee.

Mr. Bucklaschuk.

MR. D. ORCHARD: Well you've only had a week to plan this committee, Mr. Chairman.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, you've called this committee meeting on Thursday, I believe, of last week. I have to tell you that this appears to be, to most observers both inside this House and outside the House, one of the more important issues that's ever faced the

Manitoba Public Insurance Corporation. In planning for the full and complete information that the Premier's been promising us since Thursday of last week, we can't even get more than one copy of the Minister's opening remarks. Now, if this is indicative of the way these hearings are going to go in the full and complete provision of information, then I think Manitobans will be sadly sorry.

So, Mr. Chairman, why don't we just wait until the Xerox machine provides the copies?

MR. CHAIRMAN: I made a suggestion to the committee, if people wished to wait for additional copies to be made, I'm at the direction of the committee. I should point out, however, that I did not call the committee hearing. The number of copies that were made, as I said, is not outlined in our rules; a number of copies were made. If people wish additional copies, that can be accommodated as well.

Mr. Cowan.

HON. J. COWAN: Perhaps, Mr. Chairperson, if the committee so wishes, we can wait for five minutes while the copies can be made, acknowledging the fact that you are absolutely correct in your statement. There is no common practice. However, if members opposite wish those statements in front of them, we're prepared to accommodate them if it's only a five-minute wait.

MR. CHAIRMAN: Is that the will of the committee?

Members of the committee come to order. All members of the committee now have copies of the statement and, I also believe, the annual report itself.

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Thank you, Mr. Chairperson.

Members of the committee, I have a brief statement to make before responding to your questions on the Manitoba Public Insurance Corporation's Annual Report for the fiscal year ended October 31, 1986.

Members of the committee will, of course, have many questions regarding the Corporation's assumed reinsurance activities and I will be pleased to address those issues during our meeting today.

Before that, however, I would like to give the committee a brief overview of the Corporation's overall financial performance during the past fiscal year.

Mr. Robert Silver, President and General Manager of MPIC, is with me today to assist in reviewing the Corporation's operations, and he is accompanied by a number of other members of the Executive. With the permission of the Chairperson, I'd like to take a moment to introduce them.

We have with us Mr. Henry Dribnenky, Vice-President of Finance and Administration; Mr. Barry Galenzoski, Vice-President of Corporate Planning and Business Studies; Mr. David Kidd - David, do you want to identify yourself? - Vice-President of Systems and Information Support Services; Mr. Terry Petrishen, Vice-President of the Automobile Insurance Division.

In addition, there are other members of the senior managerial staff here today, these being: Mr. Amadou Dabo, Reinsurance Manager; Mr. Peter Dyck, Comptroller; Mr. Jack Zacharias, Claims Manager; and Mr. David Cassidy, Underwriting Manager. We have also

with us today Mr. Kevin McCulloch, who is the General Counsel for the Corporation. Seated next to Mr. Silver is Ms. Nancy Sullivan, the Vice-Chairperson of the Board of Directors of MPIC.

As you will see in the annual report, the Canadian Insurance Industry is only now emerging from what has been a very difficult financial period. MPIC experienced many of the same difficulties during the year under review, when claims escalated to record levels and double-digit increases in costs had a dramatic impact on the Corporation's financial results.

In the Automobile Insurance Division, for example, the number of claims processed rose from 224,000 to 246,000, while the costs of claims incurred rose by 19.9 percent. As a result, the division ended the year with a deficit of \$18.8 million, compared with a surplus of \$9.7 million in the previous year. The Corporation offset this deficit by drawing \$13.5 million from its Rate Stabilization Reserve and \$5.3 million from its Contingency Reserve.

I should mention the \$5.3 million in the Contingency Reserve was used to make provision for the pre-judgment interest that is now a fact in Manitoba as a result of legislation passed by the Legislature last Session. In doing so, MPIC was able to minimize the impact of the deficit on automobile insurance rates for the 1987-88 registration year.

These rates increased by an average of 9 percent, which is significantly less than those being reported in other jurisdictions. Manitobans continue to enjoy automobile rates which are amongst the lowest in North America.

The General Insurance Division, which competes in the property/casualty market with other private insurers, recorded a loss of \$2.7 million, excluding reinsurance assumed. Rapidly escalating claims costs were also a major factor contributing to this loss, which paralleled the performance of the rest of the general insurance industry.

Nevertheless, the division provided a stable, secure market for most types of Manitoba-based insurance risks, and was particularly successful in underwriting liability coverage for organizations which were unable to secure adequate protection elsewhere. Manitoba rates still compare favourably to those in the rest of the country.

As members will be well aware, the Corporation established an additional provision of \$36 million for unreported claims arising from its assumed reinsurance operations. Although some of these claims may not be paid for many years to come, the provision is recorded as claims incurred in the financial statements in accordance with proper accounting procedures. This has enabled the Corporation to provide a full and accurate picture of its potential liability in the assumed reinsurance market, where significant losses occurred because of reinsurance agreements signed in 1975 and later.

It should be noted, however, that the Corporation has now withdrawn from these unprofitable reinsurance agreements, and has implemented more stringent underwriting standards to ensure that similar losses do not occur in the future. As well, the assumed reinsurance portfolio is expected to generate sufficient cash flow to cover the cost of any claims which must be paid between now and the year 2000.

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Potential claims in the reinsurance portfolio have no impact on general and property insurance rates nor on Autopac rates.

As all members of the committee know, the Provincial Auditor has been requested to conduct a special audit of the reinsurance practices of the Corporation.

The terms of reference for the Auditor are:

1. Did the Corporation have a well-defined policy regarding reinsurance and, if so, what was that policy?
2. Was a proper business case made for the development of this aspect of its business?
3. The report of the External Auditor for the year ended October 31, 1986 indicated a very significant loss potential. When did this loss potential appear? When could it have been identified as a problem area by management, and how should it have been addressed?
4. What steps have been taken by previous and present management to address these problems? What steps remain to be taken, if any, to address the problems?
5. In addition, we are asking that you address the issue of the completeness of the records. Is all documentation relevant to the issues available for your review? If not, where are these documents and why are they not available?

Contrary to media statements made by the Member for Tuxedo yesterday, the Auditor's office has not been conducting an audit of the Corporation for some time. Rather, a representative of the Provincial Auditor's office has been at the Corporation for some weeks to familiarize himself with the very complex area of reinsurance.

Mr. Chairperson, I'm being somewhat distracted by the laughter by the Member for Tuxedo, whose . . .

MR. D. ORCHARD: You're distracted by the newspeak.

HON. J. BUCKLASCHUK: I believe this is fortuitous, as it will allow the Provincial Auditor's office to move very quickly in the conduct of the special audit.

The Member for Tuxedo was less than charitable towards me concerning the inadvertent destruction of ministerial files. I am fully aware that the coincidence of those files being destroyed stretches credibility, but I did expect a greater degree of fairness from the Leader of the Opposition. The Provincial Archivist has provided a full explanation of the circumstances and accepted full responsibility for the occurrence.

I have asked our House Leader to convene this standing committee today, because I was eager to refute a number of allegations made about myself and the Corporation. That was prior to the missing files being brought to my attention. When I was informed that the Provincial Archives had indeed accidentally disposed of my office files, I immediately asked that the Provincial Auditor be asked to do a special audit which would include the matter of those missing files. I am not comfortable that my personal integrity is challenged, as I am sure all members will appreciate. My good name is extremely important to me, and I am confident that I will be vindicated of all charges and innuendoes, made both by members of the Opposition and by others outside this House.

Mr. Chairperson, members of the committee, that concludes my statement on the Corporation's financial performance during the 1985-86 fiscal year. I would now be pleased to answer any of the committee members' questions.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: Thank you very much Mr. Chairman.

I thank the Minister for his opening statement. It certainly provided a nice general commentary on the annual report and a few of yesterday's questions that arose out of his news conference and comments that were made, but it doesn't do anything to explain the inaccuracies, the contradictions, the misleading and false statements that he has made over the past week with respect to his awareness, his knowledge of the massive reinsurance losses. It does nothing to explain the gross political interference and involvement, on his part, in a decision to cover up the magnitude of the losses and enter into an elaborate scheme, in fact, to spread those losses over a period of five years rather than come clean, as has been done in this annual report, and acknowledge to the public very significant losses that were hitherto hidden as a result of his actions and directions to the Corporation.

Mr. Chairman, the Minister is playing sensitive about any comments I may have made about his integrity. He has suggested that his good name is important to him. I suggest to him that he ought to have considered that in 1984 when he signed the financial statements and annual reports of the Corporation that provided misleading information to the public on the real nature of the reinsurance losses. I suggest that he should have considered that when he entered into discussion with senior officials of the Crown corporation that led to the concoction of an elaborate scheme to withhold from public attention those massive reinsurance losses back in 1984 until after the provincial election last year.

I suggest he should have been worried about his name when he stood up in the House more than a week ago, or approximately a week ago, and said he was unaware of the seriousness of the reinsurance losses. I suggest he should have been concerned about his good name and his integrity when, on Friday, he said he was informed in 1984 of \$12 million or \$14 million of potential losses and then, further, had to change that so that yesterday he then acknowledged that he had been aware, since 1984, of \$24 million of potential losses.

Mr. Chairman, I don't think that any of us, at this point of time, can have a great deal of sympathy for the Minister's integrity and his name, given the evidence that he has put on the record, the damning evidence of his own lack of credibility and concern for telling the truth to the public.

Mr. Chairman, I think that the Minister ought to have been concerned when he stood at the press conference yesterday and said that the 1984 annual report had a provision in it for \$12.2 million of the reinsurance losses, only to be corrected moments later by the president of MPIC who said, that's wrong. He said, absolutely that's incorrect, that in fact there was only \$2.5 million of losses in that provision for potential losses in that report.

So I think that this Minister ought to be concerned about his credibility and his integrity every time he opens his mouth. Indeed, Mr. Chairman, I'm reminded of the saying that says: "You never have to be concerned about what you said previously if you told the truth, because then it's easy to remember." The problem that this Minister has is that he keeps changing the story from day to day. I'm concerned, as well, of course, that his Premier appears to be in the same circumstances, because yesterday he had to take as notice a question of whether or not he recalled having been briefed or informed on these losses back in 1984 or 1985, and he had to check his files to see whether or not he recalled whether or not he had been briefed or informed on these losses.

So I'm not concerned about this Minister and his seeking sympathy because of statements that I have made in the past. He has condemned himself with the incredible statements and changes of information that he has provided almost daily over the past week on this issue.

Mr. Chairman, the Minister is on the public record as saying he wasn't aware of the seriousness of the losses in reinsurance at MPIC. Yet yesterday, he acknowledged that he had approved a scheme whereby the magnitude of the potential risks would be withheld, in fact hidden from public attention by this elaborate scheme that was developed by the senior officials of the Public Insurance Corporation, so that only a small amount showed up in the 1984 statement of the Corporation, perhaps a provision of \$2.5 million, as Mr. Silver has said. The rest of these massive losses, which at that time may have been 12 million or 14 million or 24 million, depending on which day we listen to the Minister's remarks, all of that was to have been spread out and, in fact, hidden from public view as a result of that scheme, a scheme that we're going to be interested to know how it worked, because it would appear as though there were two sets of books, separate and distinct: the one that the auditors, both external and the Provincial Auditor, should he of asked, would be privy to; the one that the public would be aware of that did not demonstrate or indicate the massive concern that should have been there for reinsurance losses; and another set of books that kept track of this 12 million or 14 million or 24 million, and was going to apportionate it over a period of five years or more to try and dampen the understandable concern that the public would have had, had they been made aware of these massive losses.

Further, Mr. Chairman, this isn't a question such as we had with respect to MTX of misleading by staff or negligence in staff responsibility. This Minister is on the public record as acknowledging that he was aware in 1984 of massive losses. He may say that he wasn't aware of 36 million but, if 12 million of losses or 14 million or 24 million didn't raise a red warning flag, then he is totally incompetent and incapable of dealing with this or any other department or any other Crown corporation or any government responsibility, if he thought that 12 million or 14 million wasn't serious at that point in time and that it was fair ball to cover that up from public attention over a period of time so that he could perhaps win his re-election. This is not a question of negligence or irresponsibility on the part of staff. This is a question of an admitted negligence and irresponsibility on the part of this Minister.

So I have to wonder, further to the other remarks that he takes exception to, how this Minister can continue to be responsible for MPIC, can continue to be a Minister of the Crown, can preside over any investigation or report, be it by the Auditor or by internal audits by his own members of staff or any other review and analysis of this operation, when he doesn't know whether or not the \$12.5 million or the \$14 million was in the financial statement in 1984. He obviously isn't capable of reading that financial statement, and isn't capable of being able to interpret it in a meaningful way that will allow him to make good decisions on behalf of the ratepayers of MPIC and the taxpayers of Manitoba.

I have to wonder about his ability to carry on in his responsibility when he has acknowledged that he deliberately got involved in a massive cover-up scheme, when he changed his story at least three different times - and we'll see today whether or not there is a new version. I have to wonder whether or not he can be responsible for anything. In fact, Mr. Chairman, I don't think that anybody on this side of the table or on our side of the House or indeed in the public would believe that he can remain in his position, unless and until there is a full and complete public judicial inquiry to establish his responsibilities, his awareness and indeed his role in the whole cover-up scheme, the elaborate cover-up scheme that he is now acknowledged to have been a party to.

It goes further of course, Mr. Chairman, as we talk about this gross coincidence of the loss of three boxes of files, and indeed that stretches credibility, as the Minister himself has said in his own opening statement. We are now faced with the task of having to, in some way, determine or find a reconstruction of all of the shredded material, just as we had to during MTX find a way of reconstructing the books to find out what information was available at the time in which the decision was made to set up the elaborate scheme to mislead the public in MTX.

Now we are going to have to take the word of this Minister that all of the material that was in his files, of course, will be reconstructed. But those files, of course, don't just carry correspondence between himself and MPIC because, undoubtedly, MPIC will have the corresponding information in their files. But what about information between this Minister and committees of Cabinet, the ERIC Committee, or colleagues or strategists, as to how to handle the potential dynamite of a \$12-million loss being shown just prior to an election? Will that be reconstructed from MPIC's files, or will that be amongst the material that is never, ever to surface to demonstrate what knowledge this Minister had and what his actions were in this whole scheme?

Mr. Chairman, of course we have no idea whether or not those files would have shown us the material that the Premier is looking for so that he can recall whether or not he had any knowledge of this major loss in 1984 and 1985, prior to the election. Magically, those files have disappeared, and now we are going to have to allow the Premier to reconstruct his recollection of whether or not he knew anything about this in the past.

This is a very serious issue, far more serious than obviously this Minister appreciates, because he would have resigned by now if he had appreciated the

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circumstances and the seriousness of this issue. This is an issue that, unlike MTX, cannot be blamed on staff, because this Minister had a part to play at every step of the way. This Minister was informed when he became Minister of the Crown - he has acknowledged that. When he became Minister responsible for MPIC, he was told that we were in serious circumstances in terms of the reinsurance. His reaction wasn't how do we solve the financial problem; it was how do we solve the political problem of not having to tell the truth to the public about the massive losses. That is a condemnation of this Minister that, in and of itself, is sufficient grounds for him to resign, to be removed from his portfolio. Indeed it's a condemnation of the entire government that would let that happen.

We are going to obviously have to utilize this committee, as imperfect a forum as it is, to continue to probe, to ask questions and to try and arrive at the truth. This committee is the only forum that we have. This committee will not provide for people who were involved as members of the board, as former senior officers; will not provide for them to be required to come here and testify under oath; will not provide for members of the government to be able to be examined under oath so that they can either confirm the stories that have been told, the revisions of the stories that have been told by this Minister, or in fact provide us with new stories to try and explain this massive cover-up. They've chopped the heads of those five top people so that the Minister takes no responsibility, and can say that he had his head in the sand the whole time. That's his answer to quick action.

I might say further, Mr. Chairman, that he might well have announced that there'd be no further investment and no further risk taking while the public inquiry went on, and prevented any - (inaudible) - in fact, provide us with new stories to try and explain this massive cover-up and indeed this serious loss that has now grown to \$36 million.

This is an example of government out of control, government that, under the guise of wanting to control a Crown corporation, went in hands-on and got so involved that it ran the Corporation for its own political purposes totally, and indeed controlled the flow of information to the public and indeed kept from public attention damaging political information. This is an example of something that should never happen in the Province of Manitoba, and is now the second example of something of this magnitude, of this seriousness having happened under this NDP administration.

Mr. Chairman, because this is our only opportunity publicly to examine this issue and to try and elicit the information despite the destruction of boxes of files, despite the fact that the Minister has conflicted the information - he's conflicted his own information several times - this is the only opportunity we have to try and get at the truth. We want, Mr. Chairman, to be given the fullest possible latitude, so that the information that is able to be elicited in this committee can lead to the unmistakable conclusion that many already have, that we must have a full and complete judicial inquiry to get to the bottom of this.

Thank you, Mr. Chairman. I have some questions.

Mr. Chairman, I begin, having had a very short period of time with our staff to review the board meeting minutes of the Corporation, by placing on the record

a request for much information that is contained in the submissions that were made to the board at successive meetings throughout the past four years. I think that the committee will appreciate and understand that the minutes provide very, very brief versions of the discussion. In fact, the only way in which we can appreciate what information was brought to the board and shared with the board is if we have an opportunity to review the submissions that were made by staff to the board.

I have a list of approximately 20 submissions that were made, according to the minutes of the board meetings, between March 25 of '82 and November 20 of '86. I can read them all into the record or, Mr. Chairman, I can table them with you and ask that they be provided for us so that we can review thoroughly the submissions and have a much broader understanding of just what information was brought to the board and shared with the board during that period of time. May I table that?

MR. CHAIRMAN: The document can be tabled, if you so wish.

MR. G. FILMON: The second question that I ask is, the Premier yesterday and the Minister responsible assured us that we would have tabled the 1980 report on the investigation of the reinsurance losses - we have yet to be given that report. When will that be provided for the Opposition?

HON. J. BUCKLASCHUK: Mr. Chairperson, I'm just wondering if the Member for Tuxedo would repeat that question, please.

MR. G. FILMON: The question is a very straightforward one. It's the same question I asked yesterday in the House of the Premier. It was a report that was prepared for the Corporation, looking into the massive reinsurance losses that were known in 1984, and had to do with the circumstances of the 1984 losses. That was a report that this Minister promised to table at the beginning of the committee hearings, and the Premier repeated that commitment yesterday in question period. Where is it?

HON. J. BUCKLASCHUK: Mr. Chairperson, the reason I asked for that question to be repeated was, the first question made reference to a report from 1980. The report in question period yesterday - and I'm referring to Hansard: "The board was aware of what the potential losses were, based on information . . ." - I'm sorry, this is the existing provision of 36.7 was based on a report made in October. The decision as to how we would display the potential claims in 1984 was a separate report.

I'm very prepared to table that report at this time with the understanding that it is a complex document and, when we have a chance to go through this document, you'll understand why there have been so many different figures bandied around for the past week. So I'd like to table that report with the understanding that the President of the Corporation be allowed to spend 10, 15, 20 minutes, whatever time it takes, to go through that report so that there is an understanding of what that report is all about.

MR. G. FILMON: Mr. Chairman, that begs the question then: Are we going to have tabled as well the report that led ultimately to the 36 million being revealed and the decision made to show that in this year's financial statement in accordance with, as the Minister indicates, commonly accepted accounting principles? Is that report as well going to be tabled?

HON. J. BUCKLASCHUK: That is a separate question. The immediate question before us at the present time, am I prepared to provide the '84 report that was given to me, and I have indicated that we will circulate it at the present time. The '86 report, that is a separate issue. We can deal with it at some future time.

MR. G. FILMON: Mr. Chairman, may I just suggest that we will deal with the '84 report now and, as soon as we're completed with that discussion, we will return to the discussion of the '86 report.

I wonder, Mr. Chairman, if we could request that Mr. Silver highlight anything he wants to, but not read this entire report into the record. I think it would take us half of the remaining time that we have. So could he just highlight whatever items he believes need to be identified?

HON. J. BUCKLASCHUK: Mr. Chairman, as I indicated when I committed myself to providing this report, I gave it on the condition that Mr. Silver would be given the opportunity to thoroughly review the contents of that report, so that all members present and the public in Manitoba will understand that particular document. I am not agreeing to have Mr. Silver highlight, because I think the whole document is important. In the interests of the public, I think that we should spend some time going through this report and then addressing any questions that there may be with respect to this report.

MR. CHAIRMAN: Mr. Silver.

MR. R. SILVER: Mr. Chairman, the member has cited incorrect media reports concerning the numbers that were discussed in yesterday's press conference. I did not say 2.5 million specifically. In fact, the number that I did mention was 2.25, and I certainly did not contradict the Minister. There are many 12 numbers in this report and multiples of 12, so it's not surprising that members of the media in their understandable haste to get into the House perhaps did not get the detail as clearly as they might.

However, if I may, the report was prepared prior to October 31, 1984, as a collaborative effort by the Corporate Controller and the Reinsurance Manager. It's a financial depiction of probable reported financial results, as they might appear on estimations of premiums to be received and claims to be incurred. In short, it's a forecast.

It's indicated that anticipated premiums to be earned in the period 1983-84 to 1988-89, inclusively, would total \$57.2 million. It is in either Exhibit 1 or Exhibit 2 in the very last column.

It is further indicated that claims incurred and reported in this same period would total 55.1 million, and expenses incurred would be 16.3 million. Thus, without any consideration for a provision for unreported

claims, the reinsurance assumed business was projected to show a financial statement loss of 14.2 million. However, recognition had to be given to the likelihood of further increments to the reported claims. There is always a probability that claims will increase over time, both in number and quantum. The reporting of some claims may be delayed for any number of reasons, ranging from administrative inefficiency to delayed recognition of losses.

Changes in quantum can occur over time during the claim settlement process as the severity of losses are determined and damage amounts are finalized.

In the years prior to this report having been prepared, the IBNR - we will hear this acronym many times; that is, incurred but not reported, IBNR - the IBNR provision for reinsurance assumed had been established in a cumulative amount of \$4.375 million.

At the time this report was prepared, officials within the Corporation believed that the appropriate IBNR to establish in respect of fiscal years ending October 31, 1984 was in the amount of \$12.3 million. This estimate was prepared without benefit of an in-depth review of any of the larger and more troublesome reinsurance agreements or treaties. It is incidental to this report and the issue at hand that this estimate may have been understated.

This report leads to a conclusion with the observation that - and I'm quoting - "... the decision as to when the assumed IBNR should be recognized will impact the profit and loss of the General Insurance Division." This suggests acceptable options in reporting format. Without any indication of required accounting practice, the report concludes with a presentation of three options: the first one being no IBNR set-up; the second one being, set up this lump sum IBNR in 1983-1984 fiscal year; the third one being, set the IBNR lump-sum provision up in 1984-85.

Appended to this report are two exhibits, which reflect the anticipated financial statement results under Options 1 and 2 above. There was no depiction of Option 3. Under Option 1, the reinsurance assumed would continue to record losses in each of the fiscal years, 1983-84 to 1988-89, ranging from a low - these are losses - of 0.8 million to a peak loss of 3.5 million.

Under Option 2, in which a provision of 12.3 million is shown as established in fiscal year 1983-84, the reinsurance assumed would continue to record losses in each of the fiscal years, ranging from a low of 0.5 million to a high of 0.9 million, with a provision-driven loss of 15.5 million in fiscal year 1983-84.

This report and the exhibits appended to it do not distinguish a right or wrong financial presentation. In the context of corporate practice which set up only nominal annual increments to the IBNR provision, it would have seemed at the time that the appropriate course of action was to continue with a practice consistent with prior years.

Having said those things, I will now endeavour to explain the 12's. On page 4 of this report, at the bottom of page 4 is a projection of future claims from November 1, 1984 to October 31, 1989. It was projected that claims would total 24.3 million. That was a projection in calendar year 1984.

However, one of the numbers that has been misrepresented has to do with the projection of 12.1 million of claims incurred in the fiscal year 1983-84. It

was anticipated at the time this report was prepared that claims would come into the company in the amount of about \$12 million. This had no reflection whatsoever on the 24 million. The 24 million was a separate amount that was not addressed in the 12 million of claims incurred in that fiscal year.

Exhibit 2 suggested that a provision of 12.3 million in respect of that 24.3 million be established in 1983-84. You will find that in the first numerical left-hand column on Exhibit 2, and it's the fourth number down. The balance of the \$24.3 million in anticipated claims would have been met then by the future anticipated revenues that would have come in during the intervening years, and such investment income as the Corporation's book of business was earning, and future increments to the IBNR provision on an annual basis.

The realities are that Exhibit 1, which does not set up a lump-sum provision, continues to show losses, as does Exhibit 2. If there's any misunderstanding that still exists about the 24 million and the 12 million, I would be pleased to respond to questions.

MR. G. FILMON: Mr. Chairman, I'd like to know who prepared these suggested options for the Minister.

MR. R. SILVER: I indicated at the outset that the report had been prepared by the then controller and the reinsurance manager.

MR. G. FILMON: I wonder if the Minister could indicate who requested that these options be prepared.

HON. J. BUCKLASCHUK: First of all, I'll make it very clear that it was not me because, until I received this document, I was not aware that there was \$24.3 million in potential claims. So the request came from some person other than myself without any question.

MR. G. FILMON: When did the Minister receive this document that indicated the 24.3 million of potential claim?

HON. J. BUCKLASCHUK: The report was provided to me by the former president, Mr. Laufer, on October 19, 1984.

MR. G. FILMON: The Minister is now confirming that, on October 19, 1984, he was provided with a document that indicated a potential liability and reinsurance claims of \$24.3 million.

HON. J. BUCKLASCHUK: I will confirm that this information was provided to me about the potential claims that might arise for the period from November 1, 1984 to the period October 31, 1989. I should mention that, in the report you have: "These results . . . - and I'm quoting directly from the report - ". . . can be attributed to long-tailed (sic) losses on international and proportional business from prior years that were not adequately reserved for in the year they were underwritten." This is consistent with the information provided from the very beginning that a good portion of these losses would be arising from agreements that were entered into anywhere from 1975 on.

MR. G. FILMON: Mr. Chairman, so the Minister is now acknowledging that he certainly was made aware of

this in the fall, I believe, of 1984, so that there was no attempt on the part of Corporation senior officials to hide this from him in 1984?

HON. J. BUCKLASCHUK: The information was provided to me by the General Manager of the Manitoba Public Insurance Corporation on October 19, 1984. I should indicate, however, that there had been a board submission prior to this, at which time board members had been advised that the whole matter of the area of reinsurance assumed was under review, and that a report would be provided to the board when the review was completed.

The \$24.3 million figure for potential claims was not derived from a report that had been terminated. That report had not been completed, as I understand, until sometime in 1986, and the board was not made aware of the magnitude - that's the word I use consistently - of the losses until the board meeting of November in 1986.

MR. G. FILMON: Can I ask the Minister to clarify that one, because what are we talking now about magnitude? You were aware - at least the Minister has indicated he was aware of \$24.3 million. Is he saying that he didn't become aware of \$36 million until November of '86, or October of '86, but he was aware of \$24.3 million? Does he not think that was of sufficient magnitude to be of concern?

HON. J. BUCKLASCHUK: I will restate what I've said, that I was made aware of potential losses of \$24.3 million in October of 1984. The figure of \$36.7 million in potential claims was not drawn to my attention until October, 1986.

I certainly did consider the \$24.3 million potential claims as being a serious matter. On the other hand, the document that has been provided to you outlined a number of options through which that \$24.3 million in potential claims could be accommodated.

If you look at Exhibit 1, you will note that, of that \$24.3 million in potential losses, some \$8 million, I believe, before expenses would be accommodated in 1984-85. Some \$7 million would be accommodated in 1986 before expenses.

In other words, while there was a \$24.3 million potential in future claims, the proposal, Exhibit 1, over five years would have run off those claims - \$24.3 million in 1984, potential claims. If one is provided with a means by which some \$15 million less expenses can offset those potential claims, there should perhaps be a \$9 million, \$10 million, \$11 million potential left after those two years.

However, the report provided to the board in November of 1986 indicated to us, in fact, there was still a \$36.7 million potential in future claims. That was a matter of concern, of extreme concern, and that is what I meant when I said I had no idea of the magnitude of the potential claims.

MR. G. FILMON: So the magnitude of 36.7 caused the Minister to take some serious action, but the magnitude of 24.3 didn't in terms of reporting it publicly and making the Corporation statements reflect it and bringing it to public attention in the annual report. When it hit 36.7,

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the Minister felt that it was serious enough to be contained in the document that had to be presented publicly, but he wasn't when it was at 24.3. Why not?

MR. R. SILVER: If I may interject, at that point in time there were projections that particular piece of business that was being addressed at the time would continue to generate revenues.

In October of '86, there was no such projection. There would be no further revenues.

MR. CHAIRMAN: Order please. If we're going to proceed with this committee and have an accurate transcript of what is said and proceed with some order, we're going to have to ask individuals to seek recognition and then speak.

I've recognized Mr. Filmon.

MR. G. FILMON: Mr. Chairman, is the Minister saying that there are no projected revenues that could offset that \$36.7 million in the future?

HON. J. BUCKLASCHUK: The \$36.7 million figure, which reflects potential claims up until about the year 2000, my understanding is that 4.7 of that has already been incorporated into the 1986 report, and there is \$32 million incurred but not reserved set aside.

The revenue to offset future claims will come from premiums that the Corporation will gather over the next 15 years or so. There will not however be any premiums from the old book, that is treaties that have been cancelled, that will flow to the Corporation to offset that \$32 million provision.

MR. G. FILMON: But when the Minister responded to this issue, as to why it wasn't made public and the magnitude of it just a week or so ago, he said, "Well, we may never have to pay this out. These liabilities may be offset by income against these liabilities, and indeed the \$36.7 million is just an outside number that really may never be realized." Is the Minister now telling us that that \$36.7 million is absolutely, firmly committed and we are responsible and liable for it, and in fact there's no hope of obtaining any recovery from that?

MR. R. SILVER: Mr. Chairman, I had earlier said that there would be no future revenues. There will be some very nominal revenues. I guess what we're talking about now is \$32 million of remaining IBNR provision with respect to business that we had entered into prior to fiscal year-end, October, 1984.

There will be some nominal revenue generated from that business yet, and we fully anticipate that the business that we are now entered into under new underwriting guidelines will be sufficiently profitable over the term where these potential claims are forecast to come in, and that's from now until the end of the century. We anticipate that our reinsurance operations will be sufficiently profitable to meet the cash flows required for those claims.

MR. G. FILMON: The simple question to the Minister is: How does the \$24.3 million of the potential claims - well, claims incurred in fact - that shows up in this report of 1984 differ from the \$36.7 million this year?

HON. J. BUCKLASCHUK: The answer is very simple. The \$24.3 million projection of potential claims provided to me in October of 1984 was the best guess at that time. You will recall I had indicated that a review had been undertaken in 1984 to get a better handle on what the future obligations of the Corporation might be. That report was not completed until sometime, I presume, in the summer or late 1986, and that report indicating potential claims of \$36.7 million was provided to the board in November 1986.

MR. G. FILMON: Is it a best estimate though, the 36.7, is that the best estimate at this point in time?

HON. J. BUCKLASCHUK: It is my understanding that it is the best estimate that our reinsurance manager can provide us at this time.

MR. G. FILMON: Right, and in 1984 the best estimate was \$24.3 million.

HON. J. BUCKLASCHUK: That is correct.

MR. G. FILMON: Well, then why . . .

HON. J. BUCKLASCHUK: With a qualifier that the review had not been completed at the time that figure was provided to me.- (Interjection)-

MR. CHAIRMAN: Order please.
Mr. Filmon.

MR. G. FILMON: Why is it that, according to the Minister's own words in his opening statement this morning, the \$36.7 million is being reported in the financial statements in accordance with proper accounting procedures? Why did previous statements not have the \$24.3 million, for instance, reported in accordance with proper accounting procedures?

HON. J. BUCKLASCHUK: The opening statement accurately reflects what is the fact. As I indicated to you - and I have tabled the document provided to me in 1984 - a number of options were provided to me, a paper that was developed by the Corporation without my solicitation and simply given to me for consideration and direction, I suppose. That never happened in 1986. There was, with management, an understanding of what proper accounting procedures were. In fact, my understanding is that there are no other options other than to deal with the issue as has been dealt with.

I should also indicate that in 1984, as substantiated by the document before you, this matter was referred to me. No such reference was made to me in 1986. The board dealt with the issue and dealt with the draft annual report, which you essentially have before you at this time.

MR. G. FILMON: The explanation I accept, that when the Minister was involved, they cooked the books; when the board made the decision, they made the right decision. But, Mr. Chairman, is the Minister now telling us that those options that were presented to him in 1984 were not in accordance with proper accounting procedures and he never bothered to ask the auditor,

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either the external auditor or the Provincial Auditor, whether or not those options were in accordance with proper accounting procedures?

HON. J. BUCKLASCHUK: Mr. Chairperson, in my relationship with senior staff, whether it be the General Manager of the Corporation, whether it be with the Deputy Minister of a department, I accept that I am being provided competent counsel. The question as to whether or not the options being provided to me are legitimate is something I don't question.

I would expect that, when options are being provided to me, they are acceptable options and, on that basis, I had indicated a preference. I should also indicate, Mr. Chairperson, in the previous comments from the Member for Tuxedo, albeit that I was the Minister responsible for the Corporation in 1984, as I am at the present time, in fact my involvement at the present time is much closer as the chairperson of the board; therefore, the reflection of the '86 financial report is also something that I will take credit for.

MR. G. FILMON: Mr. Chairman, just a moment ago, the Minister said that he wasn't given an option, that he was told the way it had to be presented by the board and senior staff and, therefore, that's the way it went. So let's not have him tell us now that he initiated this new way of presenting it any more than in the past.

HON. J. BUCKLASCHUK: I'm sorry, Mr. Chairperson, I did not say I initiated a new way. That's something that the Member for Tuxedo is putting in my mouth, and I would suggest that the record be reviewed.- (Interjection)-

MR. CHAIRMAN: Order please.
Mr. Filmon.

MR. G. FILMON: He clearly inferred that his presence as chairman of the board makes this presentation more truthful and a better presentation. The fact of the matter is that he, in 1984, was totally irresponsible in not even asking the question, do these options accurately, in a proper accounting procedure, reflect what should be known to the public about our reinsurance losses. He never asked that question.

He is saying that he trusts implicitly and totally his staff, and that's precisely the situation that has led us to the big losses at MTX, where Coopers and Lybrand said that they didn't even know what questions to ask. He was so desperate to try and cover up politically so that this information would not become public prior to a general election that he was prepared to consider any option that got him out of this tremendous problem that he was facing, of showing publicly a potential loss of \$24.3 million under reinsurance in MPIC's annual statement, a loss that would have been absolutely catastrophic in terms of public reaction just prior to a general election. He knew it and he didn't even ask whether the options that were presented to him were in accordance with proper accounting procedures.

Then this year, when he wasn't given an opportunity to ask that question, he was told, either by the new President, Mr. Silver, or the Board of Directors, that they had to do it. They couldn't cover up any longer

this massive loss from public attention. They couldn't slide it under the carpet and cover it with an elaborate scheme to spread it out over years. It then appeared, no thanks to him, but we're faced with the unmistakable conclusion that as long as he had any role to play, he was involved totally, completely in the cover-up of this matter. In fact, he willingly accepted, without question, a proposal of an option that allowed that major loss, that major liability not to be shown on the books of the Corporation.

I have to ask the Minister responsible why he wouldn't have asked either the external auditor or the Provincial Auditor for any advice on this matter?

HON. J. BUCKLASCHUK: I noticed the Member for Tuxedo is in his usual habit of wanting the best of both worlds.

I have not, in the past four-and-a-half or five-year stewardship of being responsible for MPIC, at any time contacted the external auditor to discuss whether or not the external auditor was satisfied with the handling of the affairs of the Corporation.

The external auditor reviews the Corporation's finances each year; the external auditor provides a report to the public of Manitoba each year. Furthermore, the Provincial Auditor, to whatever degree, also reviews the affairs of the Corporation. In addition, internal auditors within the Corporation review the financial affairs of the Corporation.

At no time was it ever brought to my attention by either the internal auditor or by the Provincial Auditor or by the external auditor that whatever means of displaying future claims was unacceptable according to accounting practices. Therefore, I don't understand what my reason would have been to interface with the external auditor or with the Provincial Auditor.

MR. G. FILMON: Mr. Chairman, did the external auditor or the Provincial Auditor ever see this analysis that showed claims incurred at \$24.3 million in 1984?

HON. J. BUCKLASCHUK: As I've indicated, I have never discussed any issue of the Corporation with the external auditor, so I cannot confirm or deny that this information was made available to the external auditor.

Insofar as the Provincial Auditor is concerned, I am quite certain that information will come out of the Provincial Auditor's review that is taking place at the present time.

MR. G. FILMON: Then how could the external auditor make comment knowingly to the Minister on the matter with any confidence, if he wasn't aware of these potential claims that were listed in this report, if there was, in effect, a second set of books that kept them in a separate account so that they could be apportioned over a period of time? How would the external auditor ever become aware of them?

HON. J. BUCKLASCHUK: I'm not aware of what discussions took place between the general manager and the external auditors or senior management and the external auditors.

MR. G. FILMON: Mr. Chairman, did the Minister ever speak to any member of the board, either the chairman

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or any other member, about the inappropriateness of showing a major loss in reinsurance in the information that was made public on the Corporation?

HON. J. BUCKLASCHUK: As I indicated previously, when this document that you have before you was presented to me for consideration, it was given in my mind that the options available were proper and in accordance with proper accounting practices. Therefore, the question of appropriateness or inappropriateness would not have arisen in my mind.

MR. G. FILMON: Mr. Chairman, but the Minister earlier indicated that the board had discussed the reinsurance losses prior to this report being drafted.

Does he recall, for instance, a meeting back in approximately July of that year or earlier, a meeting in which he might have discussed that with the former chairman of the board?

HON. J. BUCKLASCHUK: Yes, I am aware that the matter of reinsurance was a subject of discussion at the July 1984 meeting. I was not present at that meeting. I happened to be in Swan River that day, I believe.

A MEMBER: It's instant recall.

HON. J. BUCKLASCHUK: Instant recall? No, I said I would review my records. My records are very good and I can establish . . .

MR. CHAIRMAN: Order please, order please. I've recognized Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: In fact, there were discussions at that board meeting. My understanding from the board submission was that, yes, the matter of reinsurance assumed was brought to the attention of the board. There was, within that submission, an indication that a review would be or had been undertaken, and that a further submission would be brought to the attention of the board.

That is the very same review that I referenced previously. That did not reach the board until November 1986. Therefore, the board had not been aware at that time, nor had I been aware in July, of the potential claims of \$24.3 million.

I should indicate just one other comment, and that was with reference to my relationship with the external auditors or the Provincial Auditor with respect to the financial reports. I have found out subsequently that, on May 2 of 1984, in a report that I did not see, the internal auditor had indicated that the incurred but not reserved should be increased by \$2.6 million, May 2, 1984.

When this type of recommendation goes to the general manager, because the internal auditor does not report to the Minister, that matter is then discussed with the external auditors, and my understanding is that in fact, in 1984, provision was made for \$2.25 million in incurred but not reported, a reserve.

MR. G. FILMON: When the Minister talks about that board meeting that he did not attend because he was in Swan River in July of 1984, who briefed him on that

meeting and where did he gain his "understanding" that the issue had been raised and that a report was being done on it?

HON. J. BUCKLASCHUK: I don't recall. I certainly could check my records to see if there was any briefing, but the document itself is quite readable, and very clearly indicates that a review has been or is being undertaken and that a further submission will be made to the board.

MR. G. FILMON: Is the Minister indicating that he at no time during that period in the summer of 1984 discussed this matter of the reinsurance losses with either the former chairman of the board, Mr. Sigurdson, or Mr. Laufer?

HON. J. BUCKLASCHUK: A board submission is accepted as information reviewed, accepted by information that a review is being prepared, the date being sometime late July 1984.

MR. G. FILMON: Did he discuss it with Mr. Sigurdson or Mr. Laufer?

HON. J. BUCKLASCHUK: I believe the next meeting was October 11, 1984, if I recall. Yes, I believe it was October 11, and I did meet with Mr. Sigurdson the day previous to go through the board agenda to simply review it.

There was no submission on that agenda dealing with the matter of reinsurance assumed, nor should one expect there to have been one, as the review undertaken by the reinsurance manager had not yet been completed. It was not completed until sometime in 1986.

MR. G. FILMON: So the Minister is indicating that he at no time discussed the reinsurance losses in the summer of 1984 with either Mr. Sigurdson or any other member of the board or Mr. Laufer, that he knew nothing about it until he was presented - other than the fact that it had been raised at the board meeting and a report was being done. He knew nothing about it further until he was presented with the options later that year in October of 1984?

HON. J. BUCKLASCHUK: I want to assure the Member for Tuxedo that I was aware of or had concerns about the reinsurance assumed virtually from the day that the responsibility was given to me by the Premier. As a matter of fact, the first package of board material that was provided to me in the latter part of September '82 resulted in a memo to Mr. Laufer requesting information as to what the potential losses in that area meant. I had a number of memos from September of '82 till the board submission of '84 in which I continued to raise questions about the reinsurance assumed area. However, at no time had there been any information to the best of my knowledge provided to either me or to the board that we were facing a potential \$24.3 million in claims.

MR. G. FILMON: Not until October of '84, you are saying?

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HON. J. BUCKLASCHUK: The date was October 19, 1984:

MR. G. FILMON: That was the first time you realized that it was \$24 million, \$24.3 million, but the Minister is now saying that he had concerns and wrote memos about reinsurance losses way back to 1982. That being the case, how is it that you never discussed those concerns with any member of the board prior to October of 1984?

HON. J. BUCKLASCHUK: Yes, I am quite certain that over the years I had had some discussions with the Chairman of the Board, or with the President or the General Manager of the Corporation about the reinsurance assumed section. It was a concern of Mr. Laufer's. I acknowledged that Mr. Laufer had initiated steps in 1982-83 to get a better handle on what the future claims might be. I have acknowledged today several times, as a matter of fact, that a review had been undertaken in 1984 to get a better grasp of what the potential liabilities of the Corporation were in this business. That report was not provided to the board, nor to me, until November of 1986.

MR. G. FILMON: Well, let's be frank about it. We keep going back to this point and the only difference is that, from October of '84, he was aware of \$24.3 million and, in November of '86, he became aware that it was \$36.7 million. Now, if the Minister is suggesting that 24.3 wasn't a serious concern or a major consequence but 36.7 is, I'm saying that he is totally incompetent and shouldn't be in his position because, aside from the fact that in terms of order of magnitude, there is another \$12 million involved, it was of serious magnitude when it was \$24.3 million and he knew about that in October of 1984. He took no action other than to willingly go along with an option plan that would hide it from public attention, that hid it from public attention for two-and-a-half years.

HON. J. BUCKLASCHUK: Let me reiterate what I have previously said, I think, a number of times this morning. When I was first advised of the potential claims amounting to \$24.3 million in 1984, I certainly did consider it to be a serious matter. However, management of the day had also provided a resolution to that problem, that is, that those anticipated claims would be run-off in this five-year proposal, and if one had indicated a preference that the exhibit 1 would be adopted, there should have been run-offs in '85 and in '86 as projected in that exhibit.

In other words, at the end of '86 there should no longer have been a sum indicating \$24.3 million in potential claims; there should have been something considerably less. After all, the scenario was that - and I will quote the figures from the report provided to the committee this morning. There should have been 8.3 written down in 1985; there should have been 7 written down in 1986, less whatever expenses were, but one would anticipate that there should have been somewhere perhaps between \$12 million - \$13 million less potential claims at the end of '86 than what had been shown to me in '84. There should have been perhaps \$12 million - \$14 million in potential claims at

the end of 1986. However, the study that had now been completed had indicated a \$36.7 million figure, and therefore I was extremely concerned about the magnitude of the problem at this time because it would appear that the option that had been provided to resolve a serious problem was not in fact doing what I was told it would do. And so I have been consistent from the very beginning on this.

I should also indicate, Mr. Chairperson, that while management may well have had some concerns about the seriousness of the situation, I have no way of knowing what information was conveyed by management to the internal auditor. I do believe - I may be able to substantiate this with a document - that management in fact responded to the internal auditor saying that it was not agreed that IBNR was understated, and I believe that the 4.4 was understated.

MR. G. FILMON: Mr. Chairman, I wonder if I could indicate, I just want to get back to this point that the Minister is indicating that he at no time discussed this issue with a member of the board or the Chairman of the Board, the reinsurance issue, that his only knowledge of it was through the October 19, 1984 report that we have before us. Other than that, he had no contact with a member of the board to discuss the massive losses of reinsurance and how they might be portrayed, and in fact how they might be accounted for?

HON. J. BUCKLASCHUK: Is the Member for Tuxedo asking specifically about the 24.3?

MR. G. FILMON: Yes.

HON. J. BUCKLASCHUK: To the best of my knowledge, and I should indicate that this report that I have tabled this morning was prepared post-September 30, 1984. I had not been aware of the potential claims amounting to 24.3 until after this report was prepared. And the only discussions that have taken place between myself and any member of the board was in the meeting I had October 19 with Mr. Laufer, who presented this to me at that time, and the then Chairperson of the Board.

MR. G. FILMON: Mr. Chairman, I don't want to restrict it to the Minister talking about the 24.3. Evidently, he didn't know the actual figure until October 19. But did he discuss serious concerns about major reinsurance losses with members of the board prior to that?

HON. J. BUCKLASCHUK: Well certainly, being responsible for the Corporation, having had expressed concerns since September 27 of '82 about where the Corporation was heading in terms of reinsurance assumed, I can't exactly enumerate when I had what discussions with whom, but it's obvious I would have had discussions with the chairperson of the board.

I rarely met with the board itself about where we were going. There are a number of memos on file which are not alarming which, in a sense, provide comfort that the matter is being attended to. There is a board submission in July of 1984, which in no way reflects upon the seriousness of the \$24.3 million in potential claims. That, I think, responds to the question.

MR. G. FILMON: We have been talking about the information that the Minister was aware of in October of 1984, and then there is no further resolution to the matter until late fall of '86, two years later. In preparation of the financial statements and the annual report for '86, the matter hits what this Minister now calls "serious proportion," when it goes from 24.3 to 36.7 and, at that point, a decision is made by the board and senior management to show it in the financial statements and the annual report.

Was there any discussion of it in the preparation of the financial statements and the annual report for '85, the year in-between?

HON. J. BUCKLASCHUK: The Member for Tuxedo is, I believe, essentially correct that the issue is documented in the minutes of the July 27 meeting, and I believe this is about the fourth time I've repeated it this morning. That particular document had indicated that a review of the reinsurance assumed was being undertaken and that a further submission would be provided to the board when the review was completed.

That review took approximately two years. It was a very detailed review. It involved trips - not by myself but by senior staff within the Corporation - to meet with reinsurers that we were dealing with. That report was provided to the board, and certainly that was my first knowledge in November of '86.

Insofar as the 1985 report, the general manager of the day at no time met with me to discuss how the financial picture was to be displayed, did not raise any serious issues with me and, therefore, I had no involvement with the 1985 report. A draft was presented to the board in 1985, as was done in 1984, adopted by the board; and the report, as adopted, would be a public document, whether it be '84, '85 or '86.

MR. G. FILMON: Why would the Minister not have asked the general manager of the day about the progress with respect to reinsurance, given that he indicates earlier that the general manager was seriously concerned about it, and given that he indicates they certainly had a great many discussions leading up to the annual report presentation in '84? Why would he not have asked the general manager about how it was going?

Well, the general manager is now called the president in the 1985 report. I note that he stated, and I'll quote from his statement in that annual report: "Part of the loss," and he's talking about the General Insurance Division loss, "Part of the loss was also related to uncertainty in the international reinsurance market which has produced industry-wide financial difficulties for the past several years. MPIC has responded to this problem by shifting more of its reinsurance portfolio to the domestic market. This is expected to improve results over the long term."

He was highlighting it in his comments. Why would the Minister not have engaged him in conversation?

Further, in "The Financial Year in Review" on page 12 of the report, again there's a reference to the losses in that reinsurance market, conditions in the international reinsurance market.

Now why would that not be a topic of interest that the Minister would raise with the general manager and

president? Why would he wait for him to bring it to his attention?

HON. J. BUCKLASCHUK: Yes, there certainly had been discussions about concerns about the reinsurance assumed business. I was somewhat comforted to know that for the first time in the history of the Corporation, an individual, Mr. Amadou Dabo, had been hired who had some grasp, certainly a better grasp of reinsurance than it had been previously found within the Corporation up until 1984.

I had been assured that a review was being undertaken, that a report would be made to the board, and I don't know what else one was expected to do other than to wait for the completion of the report. Therefore, I don't know what the Member for Tuxedo is getting at.

I should also indicate that there were questions raised, I believe, in the committee in '85 with respect to reinsurance, and I think at that time we had indicated that we were trying to get a handle on that situation.

MR. G. FILMON: As part of his feeling comforted, did the Minister speak with Mr. Dabo and ascertain just exactly what he'd be doing to ensure that our losses were being stemmed and our circumstances were being looked after?

HON. J. BUCKLASCHUK: Some of the reason that I might not have been overly concerned and felt somewhat satisfied that the matter was being taken care of was the fact that in the document you have in front of you, the projection for losses of future claims, was some \$3.5 million. The real figure at the end of 1985 was some \$4.3 million, which I think would provide some assurance that the projection that had been developed was reasonable.

I should also mention, to respond to the Member for Tuxedo, did I speak to the manager for reinsurance. I don't know how the Minister responsible for MPIC dealt with it under the Lyon administration. My understanding is the Minister . . .

A MEMBER: Expeditiously.

HON. J. BUCKLASCHUK: Directly.

A MEMBER: And firmly.

HON. J. BUCKLASCHUK: Directly. My understanding or my responsibility as a Minister for the Crown is that I am not there to manage it. The general manager and the president are there to manage it. Therefore, there is no reason why I would have to contact our reinsurance manager to find out whether or not the discussions that I was having with the general manager were reliable. There is no reason why I should have to go to any manager within the Corporation to confirm what the general manager is or is not telling me. I, as the Minister, do have to depend on senior management, on the president, and I think that is a very, very acceptable practice.

MR. G. FILMON: Mr. Chairman, given the massive reinsurance losses of \$36.7 million, if I were the Minister,

I wouldn't take credit for managing the Corporation either.

HON. J. BUCKLASCHUK: Then the former president will have to . . .

MR. G. FILMON: Mr. Chairman, the statement . . .

MR. CHAIRMAN: Order please.
Mr. Filmon.

MR. G. FILMON: Mr. Chairman, given that the Minister has now, under great duress in the House, under great pressure from the Opposition, from the public, said that the report of the external auditor for the year ended October 31, 1986, indicated very significant loss potential, and he wants the auditor, the Provincial Auditor, to establish when did this loss potential appear, when could it have been identified as a problem by management, how should it have been addressed? Why weren't those questions asked when the loss was known to be 24.3 million in 1984?

HON. J. BUCKLASCHUK: As I indicated, when the figure of \$24.3 million in potential claims was provided to me on October 1984, in that very same document are provided to me a number of options through which those claims could be run off in a five-year period.

In 1986, after the review, which had been initiated in 1984, had been completed and had shown a risk exposure, that is \$36.7 million in potential claims, that information was conveyed to the board, November of '86, that information was incorporated into the 1986 annual report, that information was provided in the report that I tabled on Tuesday, March 17.

MR. G. FILMON: Mr. Chairman, let's not talk about running off claims over a period of five years. What we're talking about is spreading a major liability of 24.3 million over a space of five years so that it doesn't all show up at once as a massive loss, which it was, due to reinsurance, due to the incompetent management of this Minister, who further complicates the area and who further complicates the issue by spreading it out over years, accepting a scheme that would cover it up, that would totally obfuscate it from the public, and in fact would not have to show up on the books of this Corporation prior to an election; that's what we're talking about.

Mr. Chairman, I want to leave time for other members of the committee to ask questions. I want one final question from the Minister. Will he give us now the 1986 report that led to the full and complete revelation in the MPIC Annual Report and in its financial statements? Will he now table that report so that we have a chance to look at it before the next meeting of this committee?

HON. J. BUCKLASCHUK: The 1986 report that was tabled in the House last week incorporates into it information that was provided to the board at the November 1986 meeting. It is a board submission. I don't know whether it would be precedent, I have not at this time provided any . . .

MR. CHAIRMAN: Order please.

Mr. Bucklaschuk has the floor.

HON. J. BUCKLASCHUK: The Member for Pembina has just been hopping up and down saying, you gave us this one. That particular document was never submitted to the board. I had indicated a number of times that the first time I'd seen the document was on October 19, 1984 when it was presented to me by the general manager. That document has never, to the best of my knowledge, been seen by any board member other than the chairperson of the board.

MR. G. FILMON: The Minister is indicating that this was never presented to the board, this October 19, 1984 report, with respect to the apportionment of the losses over a period of time, the options that were provided to be able to obfuscate the total liability that the Corporation was facing in reinsurance losses.

HON. J. BUCKLASCHUK: The document that was tabled this morning is not in the format of a board submission. There is no reference in the agenda of the subsequent meeting to this document. There is no reference in the minutes, and therefore I can only conclude that the board had never seen this document.

MR. G. FILMON: Is this the original, or is the presentation that was made to the board the original of the option scheme?

HON. J. BUCKLASCHUK: Mr. Chairperson, I'm not aware nor do I have reason to believe that the board was even offered that option.

MR. G. FILMON: So that the decision was between the Minister, the Chairman and the President or General Manager of MPIC?

HON. J. BUCKLASCHUK: The manner in which the potential \$24.3 million in claims, or potential claims, would be displayed was a matter that was discussed between the general manager - the chairperson of the board was in attendance at that meeting - and myself. The purpose of the meeting was to obtain a determination of which of the scenarios would be my preference.

MR. G. FILMON: And two of the three people there are political people, the politically appointed chairman of the board, the Minister and the general manager. So two of the three people making the decision, were making it on political grounds. Now that tells the story.

HON. J. BUCKLASCHUK: May I just respond to that? When a matter is presented before a Minister for a decision, there are a number of considerations that must be taken.

MR. CHAIRMAN: Order please.
Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: The member would leave us to believe that there may have been only one consideration that was in common between the Minister responsible and the chairperson of the board, or

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between all three. I can assure the member there were a number of considerations that I took into account when I indicated a preference, one of the major ones being that I had no assurance that the \$24.3 million figure was, in fact, accurate. The report had been undertaken by Mr. Dabo, had not been completed, had not been given to the board, and there had been no previous references in any board material or discussions that potential claims to this extent might be a possibility.

MR. G. FILMON: Was one of your considerations whether or not the options were in accordance with proper accounting procedures, or whether in fact this would present a truthful picture of the operation of the Corporation to the public?

HON. J. BUCKLASCHUK: As I indicated previously, the matter as to whether or not the options were in accordance with accepted accounting procedures never entered my mind, because I have an expectation as do all Ministers that when options are presented that they are legitimate options.

MR. G. FILMON: As considered with the political implications, that's all you were concerned about was the political implications.

I want to just leave with a final question. Will the Minister table that 1986 report that was presented to the board that resulted in the presentation that we have in the annual report of the financial statements and the true picture on the reinsurance losses?

HON. J. BUCKLASCHUK: I will take that question as notice because, as the member is aware, the General Insurance Division of MPIC is in a competitive, commercial field. For me to, without review, table a report that may be of some detriment to the Corporation or of some benefit to other insurance companies that are in this business, I think would be not in keeping with my responsibilities.

I'll take that question as review, and I will respond in due course.

MR. D. ORCHARD: Mr. Chairman, this document that the Minister gave us this morning, indicating that he received it on October 19, 1984, the Minister is now saying this was never received by the board, but was presented to him by the general manager, the chairman of the board. Is that correct?

HON. J. BUCKLASCHUK: I indicated that to the best of my knowledge, nor could I find any reference in my records to the board having been provided this particular document.

MR. D. ORCHARD: Mr. Chairman, let me again refresh my memory.

This document was presumably created at the behest of the then general manager to indicate the losses in the reinsurance division?

HON. J. BUCKLASCHUK: I cannot presume as to who initiated that. Certainly, it was unsolicited by me and it was presented to me for the first time, unsolicited, at the October 19, 1984 meeting.

MR. D. ORCHARD: Then, surely, the Minister must be totally embarrassed about the March 18, 1987 headline, "MPIC Brass Blamed for \$36.7 Million Risk" when he just said that he didn't initiate it, that it was staff initiated this document shown exclusively to him as the Minister responsible, outlining \$24.3 million of loss.

My question to the Minister is: Would he care . . .

HON. J. BUCKLASCHUK: Mr. Chairperson, just before we get away from that, I don't have the specific news item in front of me, but I want to assure the Member for Pembina that I neither write copy nor headlines for the newspapers, and the responsibility lies with the publishers, not with the Minister.

MR. D. ORCHARD: Mr. Chairman, I just want the Minister to again confirm for the people of Manitoba that this report which showed an exposure - and I will call it exactly as it is in this report - it says on page 4, "Claims incurred, \$24.3 million."

Now that document the Minister exclusively received on October 19, 1984 is what the Minister told us this morning, along with the then-chairman of the board and the then-general manager. He says it was not a board document.

He contrasts that, Mr. Chairman, with the scenario that in 1986, to prepare the annual report which outlined the \$36.7 million, that report was presented to the board and the board reported \$36.7 million presumably on a report drawn up by senior staff of MPIC.

But yet when a document which is prepared by the same, presumably, senior staff of MPIC in 1984 and is presented to the Minister without going to the board, we find that a \$24.3 million loss, which the Minister has identified earlier this morning as an identical loss to what was reported in the last, most recently tabled annual report of MPIC, the Minister, being in the exclusive purview of this report, finds a way to make sure the \$24.3 million loss incurred never sees the light of day in an annual report prior to the last provincial election.

In one case - and let me go over this again so that the people know what we're talking about - in the annual report that the Minister tabled this week, the board saw the report which tabled and calculated and showed the loss of \$36.7 million in the Reinsurance Division drawn up by staff.

A same report drawn up in 1984 by staff prior to the election is not shown to the board, is shown to the Minister, and then we don't have a \$24.3 million loss reported.

Mr. Chairman, that is exactly the cover-up that we have alluded to consistently for the past week, and I want members of the government side who were here prior to the last election to recall the very cynical Cabinet document which was crafted after the French language debacle in the Province of Manitoba, which said, "we as a government and as a Cabinet will avoid all controversial issues at all costs."

Mr. Chairman, once again, we have this group of NDP Cabinet Ministers participating in preventing the people of Manitoba from having full and complete information before they went to the polls in 1986.

Do you want me to give you the other examples? The MTS report was held back from the people of

Manitoba by about a four-month time lag so that the losses in Saudi Arabia would not be known to the people of Manitoba.

The Quarterly Final Report was withheld by that tower of integrity, the former Minister of Finance, so that the people of Manitoba would not know the financial position of the Province of Manitoba.

I believe the Manfor report was held back prior to the last election; I believe the Workers Compensation Board was held back prior to the last election.

But here, Mr. Chairman, we don't have a report being held back. We have a report being given to the Minister exclusively, identifying \$24.3 million of losses, and this Minister chose an option, an option from the back page, page 7, which would ensure that it never saw the light of day prior to the last election.

That, Mr. Chairman, is the reason why we want to have several more meetings of this committee, because I believe by the time we finish there are going to be a number of Cabinet Ministers who had knowledge of this.

No one can convince me that this Minister responsible for MPIC, on his own, without Cabinet collaboration, determined that this loss would not be given to the people of Manitoba. I would suspect, once we question, that we will find the ERIC Committee of Cabinet was aware of this in 1984, 1985 at the latest, prior to going to the polls.

Mr. Chairman, I want the Minister to now tell me what it was in his responsibility as the Minister, what accounting procedure - I'll just quote to him from his statement this morning, starting out on page 4: "As all members will be well aware, the Corporation established an additional provision of \$36 million for unreported claims arising from its assumed reinsurance operations."

The Minister goes on further to say: "Although some of these claims may not be paid for many years to come, the provision is recorded as claims incurred in the financial statements in accordance with proper accounting procedures."

That's how we got \$36.7 million reported this year. The Minister was presented with a report which identified \$24.3 million of the same kind of losses October 19, 1984, in time to be included in the 1984 annual report.

I ask the Minister: What proper accounting procedures did you follow, Mr. Minister, to hide \$24.3 million of potential losses from being reported in that annual report?

HON. J. BUCKLASCHUK: The Member for Pembina is on one of his flights of fancy again.

I want to indicate that when that document - I don't know if I should even refer to it as a report - that was presented to me on October 19, 1984, was based on a review that had been undertaken some months previous and the review had not at that time been completed. So the \$24.3 million figure reflecting potential claims was an assessment as of that date.

Options were presented to me as to how those potential claims could be displayed, run off over a five-year period, and a preference was indicated by me. I have never denied that.

The question as to whether it was an acceptable way of reporting never occurred to me, because I believe

that when a senior manager - I don't know what went on under the previous administration. I have to expect integrity amongst our senior staff and when options are presented, I can only assume, I can only believe, that they are legitimate options and one of them was chosen.

In November 1986, the board was provided with information. The report, the review, initiated in 1984 had now been completed. The report concluded that there was a potential risk exposure, that is, future claims might amount to \$36.7 million. That figure is reflected in the 1986 annual report.

The report was received by the board of which I am now the chairperson. A draft annual report was adopted by this same board, reflecting the best information we had available at this date. That report is the one that was tabled in the House a week ago today.

MR. D. ORCHARD: Mr. Chairman, I believe that the Minister's statement to the press at his press conference yesterday probably indicates more of the reasons for his decision when presented exclusively with this \$24.3 million loss in October of 1984 than anything he said to date. I will quote from the Minister's statement. "I believe it was quite natural for me to have shown a preference for displaying a share of smaller increments to the provision rather than a larger one-time provision."

Exactly opposite to what has happened this year when I reiterate senior staff provided the information to the Minister in '84, senior staff provided the information to the board in '86. In '86, we have an honest presentation; in '84 we have a dishonest presentation.

The Minister further goes on to ask rhetorically, "Was that a political decision?" I would be less than candid if I said I did not think politically. That is closer to the answer of why the people of Manitoba did not know of an identified loss of \$24.3 million in 1984 prior to the election, a loss that the staff, which this Minister has blamed for uninforming him and misinforming him, has provided in what we can gather from the paper trail consistent advice to this Minister and he has consistently tried not to tell the people of Manitoba the truth when it is politically opportune for the NDP and his party.

Now, Mr. Chairman, I want to simply ask this Minister, of the options presented to him by the then general manager and the then chairman of the board in the summary on page 7 - he's presented with three options - which option did you choose, Mr. Minister, in presenting the \$24.3 million loss?

HON. J. BUCKLASCHUK: As I indicated previously, Mr. Chairperson, the document that has been tabled before this committee this morning was presented to me on October 19, 1984. That document had indicated that the future claims might amount to \$24.3 million.

Options were presented as to how this risk exposure could be displayed. The information, the \$24.3 million was the best guess at that time. There were no assurances that would be the final outcome of the review. Therefore, if one had chosen Exhibit 2 showing an IBNR of \$12.3 million, that is an incurred but not reported fund reserve of \$12.3 million, there was no assurance whatsoever - there could be no assurance because the report wasn't completed - that one wouldn't

be facing a similar situation the following year requiring a further 12 or 10 IBNR. Or, if the figures were accurate, then we might have been showing a profit. I don't know. This is all conjecture.

However, when the final report was received, a report initiated in '84, that information as accurate as it is possible to have at that date was in fact incorporated into the 1986 annual report.

MR. D. ORCHARD: Mr. Chairman, the Minister has just told us today that the best information that he had on October 19, 1984, was a potential loss of \$24.3 million, that one scenario could show \$12.3 million, but in fact he made the decision to show \$2.25 million if I followed Mr. Silver's answer correctly this morning.

Now, Mr. Chairman, I want to know from the Minister why you chose the \$2.25 million of the options that were presumably available to you, not the 12.3, not the 24.3. Why did you choose the \$2.25 million reported loss option?

HON. J. BUCKLASCHUK: Mr. Chairperson, this exactly is indicative of the difficulty, the complexity of this situation. I like to think the Member for Pembina has a good understanding of the issues that he's discussing. Clearly, in the last question, he is betraying a fundamental misunderstanding of what the reserves are, the IBNR reserves are. I also find it somewhat almost ironical that we have an Opposition saying we weren't setting up enough reserves; on the other hand, you have an Opposition who have been screaming that our reserves are too high. Well, it's the same old story I guess - the best of both worlds. The fact is that prior to 1984, there were IBNR reserves of \$4.4 million.

As I indicated previously, the Internal Audit Report, which I never saw, indicated that IBNR should be increased by \$2.6 million. I would imagine - I can only presume that this course of action is taken - that the senior management interfaced with the external auditors and were able to negotiate the IBNR down to \$2.25 million additional.

So, in fact, in the 1984 Report, there is a reflection of a \$6.65 million incurred but not reported reserve, not 2.25 as the Member for Pembina appears to believe.

MR. D. ORCHARD: Mr. Chairman, on a point of order, that is the figure that Mr. Silver gave us, as general manager, this morning at this committee. Now I admit there's some confusion, where yesterday when the Minister was at his press conference, he said 12.5 million was in the report we're talking about. Mr. Silver says, no, it wasn't. Mr. Silver said the \$2.5 million was not correct that the press report had been incorrect, it was actually 2.25.

Now Mr. Bucklaschuk is saying it's 6 million. Good Lord, what is going on here?

MR. CHAIRMAN: Order, order please.

That is not a point of order. A dispute over the facts is not a point of order.

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Perhaps we could provide Mr. Silver with the opportunity to clarify and to establish what the facts are, because clearly, the Member for Pembina is very mixed up.

MR. R. SILVER: Mr. Chairman, the comments that I made this morning on this particular issue and the record will show that I had indicated that in the years prior to this report, \$4.375 million of IBNR had been established, and that in the fiscal year October 31, 1984, the Corporation set up an increment to that provision in the amount of \$2.25 million for a total of 6.69, whatever.

MR. D. ORCHARD: Mr. Chairman, then indeed, when the Minister - and I say allegedly said at the press conference yesterday because I was not there - but it's reported that he said there was a \$12.2 million claims provision included in the Corporation's 1984 annual report. Are we to assume that statement by the Minister yesterday was false? Mr. Silver or Mr. Bucklaschuk can answer that.

HON. J. BUCKLASCHUK: I'm sorry, could the question be repeated?

MR. D. ORCHARD: Mr. Chairman, gladly I'll repeat the question. It is reported that the Minister, at his press conference yesterday, indicated that there was a \$12.2 million claims provision included in the Corporation's 1984 annual report. Can the Minister indicate whether that was a false statement yesterday?

HON. J. BUCKLASCHUK: Yes, Mr. Chairperson, I'd like to clarify that statement. It is inaccurate, in that I underestimated or understated the actual provision in the '84 report for claims that were incurred. I had indicated as - I'd have to check the tapes, I don't have it in my written copy here - my understanding - and if the member refers to the document, I think the document we have in front of us will provide us with the best reference that we have - in 1983-84, it was anticipated there would be \$12.1 million claims incurred. In fact the figure was larger and a provision was made in the 1984 financial report for claims incurred of \$14.9 million. In other words, I had understated yesterday the real figure by some \$2.7 million.

MR. D. ORCHARD: Mr. Chairman, just briefly, and it doesn't have to be on the record, but Mr. Silver and Mr. Bucklaschuk could, no doubt, indicate in the report where that was and we can deal with that next time we sit. - (Interjection)- No, no, in the Annual Report.

HON. J. BUCKLASCHUK: I'm pleased the Member for Pembina has raised this, because in fact the financial statement on the General Insurance Division is a consolidation of a number of accounts. I believe it has always been that way including during the time when the Member for Lakeside was the Minister responsible. Tell us all about them, we will hear.

Perhaps Mr. Silver could explain to us what that statement advises or informs us.

MR. R. SILVER: Mr. Chairman, in response to the member's question, in the 1984 annual report on Page 17, is entitled "Statement 2: Statement of Operations, General Insurance Division." I would advise the committee that our reinsurance numbers are captured within all of these numbers. They're not disaggregated.

It was not the reporting practice of the Corporation then, or indeed now, to separate out the reinsurance operations. We have prepared a note in the 1986 statement because of the magnitude of the provision that was being set up.

MR. D. ORCHARD: We will no doubt have an opportunity to further examine that at the next committee meeting.

Mr. Chairman, I simply return to a basic line of thought with the Minister, and to date he hasn't adequately explained what his role has been, but possibly, before I do that, could the Minister indicate, that after having received from the general manager and the then chairman of the board this report on October 19, 1984, could the Minister indicate who besides the general manager would have authorized the annual report for 1984? Who approved the inclusion of the numbers?

HON. J. BUCKLASCHUK: As I indicated before, the draft annual report goes to the board, and in this particular case, the 1984 report, it was adopted by the board in its January 1985 board meeting and the publication that we would have before us - I saw Mr. Silver with it a few minutes ago - would have been that report. So the ultimate authority for the printing of the report is the board.

MR. D. ORCHARD: Mr. Chairman, that printing of the report would include the Minister's chosen option out of this document, this October 19, 1984 document, his chosen option on which level of reinsurance loss to show. Is that correct?

HON. J. BUCKLASCHUK: Either option used the \$24.3 million in potential claims. The difference between the two options is how these future claims are displayed.

MR. D. ORCHARD: And, Mr. Chairman, the Minister's option, the Minister's chosen option, was the one used in the 1984 annual report?

HON. J. BUCKLASCHUK: The purpose of the meeting on October 19, 1984, was to obtain for me a preference, an indication of my preference, of options that were made available to me. My preference was Exhibit 1 - the five-year program to run those claims off during that period.

MR. D. ORCHARD: Mr. Chairman, then did the Minister indicate to either the general manager or to the then chairman of the board that he preferred that option because it reduced the size of losses in anticipation of an election?

HON. J. BUCKLASCHUK: This discussion took place some 30 months ago. I do not recall what considerations I had expressed at that time. I've indicated yesterday that being a politician, one takes a number of considerations.

I am, to be honest about it, failing to understand how one option over the other might have been politically expedient when, in fact, no final report had been provided to me or to the board, so that we really didn't know what the final conclusion was of the review that was undertaken in 1984.

MR. D. ORCHARD: Mr. Chairman, that is the exact same answer this Minister has given to the House about the \$36.7 million loss which, when presented to the board, was included in an annual report: that we don't know how big it's going to be; it may or may not materialize.

But yet, when it was up to the Minister to provide an option to the then-general manager and the then-chairman of the board, he chose an option vastly different from the option chosen by the board in the 1985 annual report, 1986 annual report, pardon me; vastly different, and that is why I pose the question to the Minister: Did you express to the then-general manager or to the then-chairman of the board a preference for an understating of the \$24.3 million loss incurred, because an election was coming and that massive amount of loss would become an election issue and be detrimental to the NDP in their re-election bid?

Was that part of your discussion with those two gentlemen?

HON. J. BUCKLASCHUK: The Member for Pembina keeps juxtaposing the decisions that were to be made in 1984 with the decisions or options that were made in 1986. The board, in 1986, was not presented with options. The report undertaken in 1984 had been concluded. The board felt that the figures reflected in that report, although they were, I can assure the member, extremely concerned about the magnitude of the potential claims, the board didn't have an option. Those figures are incorporated in the 1986 report.

With respect to the 1984 accounting of the \$24.3 million in potential claims, options were developed, were presented to me without my solicitation. Many, many considerations were taken into account before a preference was indicated.

MR. D. ORCHARD: Mr. Chairman, I wouldn't expect this Minister to admit before this committee that one of his major considerations in terms of making that decision in 1984 was, as he admitted at his press conference, a political decision, but was that a political decision, the Minister asks rhetorically?

I'll answer that for him right now, and I will say that his decision in 1984, October 19, as to the inclusion of \$24.3 million in identified and incurred losses - potential losses at the reinsurance division - the inclusion of a far smaller figure buried in the annual report was a political decision.

This Minister is somewhat irresponsible when he is blaming senior staff at MPIC for completely uninforming him. October 19, 1984, a report demonstrating \$24.3 million of incurred losses is not keeping your Minister in the dark when that report is given to you by the then-general manager, the then-chairman of the board. That's hardly keeping a Minister in the dark as this Minister would want the people of Manitoba to believe.

It's interesting, and I draw the contrast again, when the Minister received the information on the massive losses in 1984, the board didn't - those losses were never reported. When the board received the information in preparation of the 1986 annual report showing potential losses of \$36.7 million, they were reported.

And we are asked by this Minister, this Premier, and this NDP Government to believe that in 1984 this

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Minister did not actively participate, and knowingly participate, in a cover-up of massive proportions of the losses in the reinsurance division? We're asked to believe that?

Mr. Chairman, no one will believe that in Manitoba. I don't know what political skills the heavyweights of Cabinet will develop with their 140 apple polishers to wiggle this Minister and this government out of this issue, but however they do it, if they succeed, and I don't think they will, there will not be more than one Manitoban in a hundred that will believe this Minister did not deliberately cook the books in 1984 to hide the loss so the people of Manitoba would not know the truth prior to the election. No one will believe that.

What complicates it for this Minister is that over the last six days that we've been dealing with this issue, this Minister has changed his story from Monday or Tuesday, not being aware of any losses, the magnitude of them, not being aware of serious losses; then on Friday, indicating to the House, yes, he knew of \$12 million to \$14 million in losses; and then yesterday, at his press conference, admitting he knew about \$24.3 million in losses.

This Minister, by the document he tabled today, has been fully informed by staff all along. October 19, 1984, he had a document prepared by MPIC staff outlining \$24.3 million of loss incurred, and he said as little as one week ago that he did not know the magnitude of the losses?

Mr. Chairman . . .

HON. J. BUCKLASCHUK: On a point of order, Mr. Chairperson.

MR. CHAIRMAN: Order please.

Mr. Bucklaschuk on a point of order.

HON. J. BUCKLASCHUK: I have, I believe on a number of occasions this morning, tried to explain, and apparently it doesn't sink in, the difference between - the reasons for my use of "serious" and "magnitude."

When information was provided to me in October 1984, I realized we had a serious problem on our hands. I had concerns from September of '82 about the reinsured.

MR. D. ORCHARD: Does the Minister have a point of order, Mr. Chairman?

MR. CHAIRMAN: Order please. I'm hearing out the Minister. -(Interjection)- Order please.

I'm hearing out Mr. Bucklaschuk in the same way in which I hear out all members when they allege to have a point of order. At that point in time, when they've completed their remarks, I will rule whether it's a legitimate point of order.

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: I had indicated that there was a reason why I had used the word "serious," but the magnitude of the seriousness, the magnitude of the potential claims was not brought to my attention until November of 1986; and, therefore, it was not I who created the confusion between serious and magnitude. It's the media, but the Member for Pembina continues to misquote me and misinterpret what I have said.

MR. CHAIRMAN: Order please.

A dispute over the facts is not a point of order. However, I would like to remind members of Beauchesne, Citation 322, and that is: "It has been formally ruled by Speakers that a statement by a Member respecting himself and particularly within his own knowledge must be accepted, but it is not unparliamentary temperately to criticize statements made by a member as being contrary to the facts; but no imputation of intentional falsehood is permissible."

I hope members will keep that citation and the rules generally in mind when making references to statements made by members.

Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman, and I indicate to the . . .

MR. CHAIRMAN: Mr. Cowan, on a point of order.

HON. J. COWAN: I believe it's 12:30, and the committee normally rises at 12:30.

MR. D. ORCHARD: We could offer leave, if you wish.

HON. J. COWAN: I would suggest that committee rise at this time.

MR. CHAIRMAN: The hour is 12:30.
Committee rise.

COMMITTEE ROSE AT: 12:30 p.m.