



First Session - Thirty-Seventh Legislature

of the

Legislative Assembly of Manitoba

Standing Committee

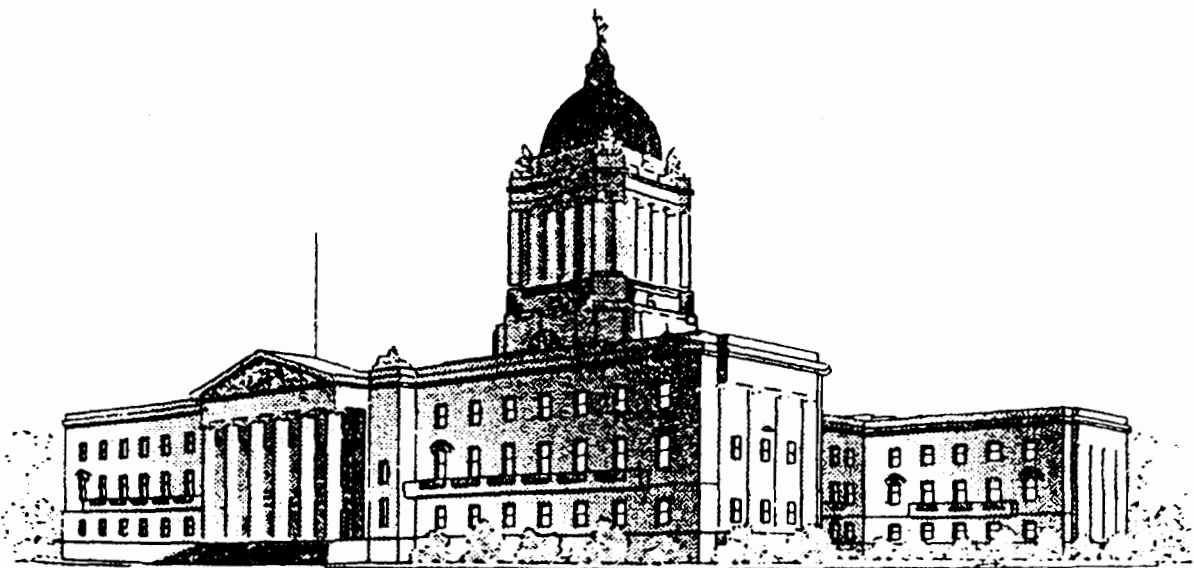
on

Public Utilities

and

Natural Resources

*Chairperson
Ms. Linda Asper
Constituency of Riel*



Vol. L No. 3 - 10 a.m., Tuesday, July 4, 2000

ISSN 0712-0454

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

Member	Constituency	Political Affiliation
AGLUGUB, Cris	The Maples	N.D.P.
ALLAN, Nancy	St. Vital	N.D.P.
ASHTON, Steve, Hon.	Thompson	N.D.P.
ASPER, Linda	Riel	N.D.P.
BARRETT, Becky, Hon.	Inkster	N.D.P.
CALDWELL, Drew, Hon.	Brandon East	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave, Hon.	Kildonan	N.D.P.
CUMMINGS, Glen	Ste. Rose	P.C.
DACQUAY, Louise	Seine River	P.C.
DERKACH, Leonard	Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary, Hon.	Concordia	N.D.P.
DRIEDGER, Myrna	Charleswood	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry	Lakeside	P.C.
FAURSCHOU, David	Portage la Prairie	P.C.
FILMON, Gary	Tuxedo	P.C.
FRIESEN, Jean, Hon.	Wolseley	N.D.P.
GERRARD, Jon, Hon.	River Heights	Lib.
GILLESHAMMER, Harold	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KORZENIOWSKI, Bonnie	St. James	N.D.P.
LATHLIN, Oscar, Hon.	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
LEMIEUX, Ron, Hon.	La Verendrye	N.D.P.
LOEWEN, John	Fort Whyte	P.C.
MACKINTOSH, Gord, Hon.	St. Johns	N.D.P.
MAGUIRE, Larry	Arthur-Virden	P.C.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McGIFFORD, Diane, Hon.	Lord Roberts	N.D.P.
MIHYCHUK, MaryAnn, Hon.	Minto	N.D.P.
MITCHELSON, Bonnie	River East	P.C.
NEVAKSHONOFF, Tom	Interlake	N.D.P.
PENNER, Jack	Emerson	P.C.
PENNER, Jim	Steinbach	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren	Lac du Bonnet	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack	Southdale	P.C.
ROBINSON, Eric, Hon.	Rupertsland	N.D.P.
ROCAN, Denis	Carman	P.C.
RONDEAU, Jim	Assiniboia	N.D.P.
SALE, Tim, Hon.	Fort Rouge	N.D.P.
SANTOS, Conrad	Wellington	N.D.P.
SCHELLENBERG, Harry	Rossmere	N.D.P.
SCHULER, Ron	Springfield	P.C.
SELINGER, Greg, Hon.	St. Boniface	N.D.P.
SMITH, Joy	Fort Garry	P.C.
SMITH, Scott	Brandon West	N.D.P.
STEFANSON, Eric	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin-Roblin	N.D.P.
TWEED, Mervin	Turtle Mountain	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA

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

Tuesday, July 4, 2000

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Ms. Linda Asper (Riel)

**VICE-CHAIRPERSON – Mr. Doug
Martindale (Burrows)**

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present

Hon. Ms. Barrett

Ms. Asper, Messrs. Dewar, Faurshou,
Helwer, Loewen, Maloway, Martindale,
Reid, Rocan, Schellenberg

APPEARING:

Mr. Jack Zacharias, Chief Executive Officer
and President, Manitoba Public Insurance
Corporation

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Public
Insurance Corporation for the year ended
February 29, 2000.

Annual Report of the Workers Compensation
Board for the year ended December 31,
1999

Annual Report of the Appeal Commission
for the year ended December 31, 1999

1998 and 1999 Five-Year Operating Plans
for the Workers Compensation Board

Madam Chairperson: Good morning. Will the
Standing Committee on Public Utilities and

Natural Resources please come to order. This
morning the Standing Committee on Public
Utilities and Natural Resources has several
reports before it. They are as follows: Annual
Report of the Manitoba Public Insurance
Corporation for the year ended February 29,
2000; Annual Report of the Workers Com-
pensation Board for the year ended December
31, 1999; Annual Report of the Appeal Com-
mission for the year ended December 31, 1999;
the 1998 and 1999 Five-Year Operating Plans
for the Workers Compensation Board.

How does the Committee wish to proceed
this morning with regard to consideration of
these reports? Does the Committee wish to
proceed with all of the reports of each separate
corporation? In what order shall the reports be
considered?

Mr. David Faurshou (Portage la Prairie): I
am prepared to address the Manitoba Public
Insurance Corporation's Annual Report for 1999-
2000. I would like, though, at this time to
propose that the Committee rise at 12:30 with
the unanimous—twelve o'clock?

Madam Chairperson: On the first point, then,
considering the Manitoba Public Insurance
Corporation report this morning. Agreed?
[Agreed] I have had a suggestion to rise at
twelve o'clock. Agreed? *[Agreed]*

The first report to be considered then is the
Annual Report of the Manitoba Public Insurance
Corporation for the year ended February 29,
2000. Does the Minister responsible have an
opening statement? Would she please introduce
the officials in attendance from the Manitoba
Public Insurance Corporation.

**Hon. Becky Barrett (Minister charged with
the administration of The Manitoba Public
Insurance Corporation Act):** Good morning,
Ms. Chairperson, and members of the Standing
Committee. I am pleased to be here today to
present for your approval the Annual Report of

Manitoba Public Insurance for the 12 months ended February 29, 2000.

Parenthetically, I would like to acknowledge the fact that our government in less than a year has had two committee hearings on the Manitoba Public Insurance Corporation. We will at the end of this be absolutely up to date. The former government went for several years without calling public committees to deal with these corporations in a responsible, open and transparent manner.

Joining me today are several members of the Corporation's executive, including President and Chief Executive Officer Jack Zacharias; Vice-President of Corporate Finance and Chief Financial Officer, Barry Galenzoski; Vice-President of Insurance Operations, Marilyn McLaren; Vice-President of Corporate Claims, Wilf Bedard; Vice-President of Corporate Legal, General Counsel and Corporate Secretary, Kevin McCulloch; Director of Finance and Corporate Controller, Peter Dyck; and Financial Services Manager Mel Stadnyk.

I thank you for the opportunity to preface our review of this report with some general remarks. This report underlines the Corporation's strength, stability and commitment to the communities in which Manitobans live. I am particularly proud that the 1999-2000 Annual Report focusses on the efforts made by the Corporation to continue educating drivers about road safety.

It is also gratifying to me that the report acknowledges the work of individual MPI employees, whose efforts continue to make their communities better places to live. Manitoba is enriched because of this kind of commitment to community life.

Members of the Committee may recall that this report was tabled in the Legislature on June 7. We are holding this committee hearing less than one month later. On that date MPI also filed an application with the Public Utilities Board. The Corporation is requesting that the PUB approve an application that will see more than half a million motorists pay less for their automobile insurance. The financial stability that made this, the third year in a row in which MPI

has requested an overall premium decrease possible, is outlined in the Annual Report.

Let me briefly touch upon a few highlights from the Annual Report that may be of interest to committee members and to Manitobans.

Last year MPI was able to reduce the average basic Autopac premium to \$524, a decrease of \$28. MPI returned more than 90 cents of every dollar to Manitobans in the forms of claims benefits. This is significantly higher than the insurance industry average of 75 cents.

MPI's 22 claim centres handled more than 825 claims every working day. Approximately \$1.5 million in claims benefits was paid out to Manitobans every working day.

To look at the big picture, MPI achieved a total net income of \$51.4 million last year, an increase from the previous year's surplus of \$38.3 million. Retained earnings were just over \$79 million. Total earned revenues at \$535.4 million were \$26.3 million better than the previous year. Cash and investments were slightly over one billion dollars, an increase from \$958.9 million the previous year.

Manitobans continued to benefit from MPI's investment policies. The interest earned on investments helps reduce the amount of premium required from motorists. Last year's investment income of \$77.2 million reduced each and every premium by \$84.

MPI achieved a basic Rate Stabilization Reserve level of \$104.9 million. The RSR protects customers from sudden and dramatic premium increases resulting from unforeseen events such as periods of severe weather. What remains important to Manitobans is the assurance that they are receiving an excellent insurance product together with superior customer service at a premium which is amongst the lowest in Canada. As MPI enters its 30th year of serving Manitobans, it continues to play an important role by providing these services and by working to improve the quality of life for all Manitobans.

I would be pleased now to answer your questions.

Madam Chairperson: Thank you, Madam Minister. Does the critic from the Official Opposition party have an opening statement?

Mr. Faurchou: No opening statement, Madam Chairperson. I would like to dive right into questions. Time is valuable.

Madam Chairperson: Thank you. Did the officials in attendance wish to make a statement for the Committee?

Mr. Jack Zacharias (Chief Executive Officer and President, Manitoba Public Insurance Corporation): No, we do not.

Madam Chairperson: Thank you. How did the Committee wish to proceed with the report of the Manitoba Public Insurance Corporation? Do you wish to consider it page by page or in its entirety?

Mr. Faurchou: Thank you very much, Madam Chairperson. I believe that in past practice and by convention the Annual Report was an opportunity to ask questions of the Manitoba Public Insurance corporation's operations and to review the Annual Report in a global perspective.

Madam Chairperson: Thank you then, in its entirety. The floor is now open for questions.

Mr. Faurchou: The first question insofar as the Annual Report being presented by the Chairperson of the Manitoba Public Insurance corporation, do we expect that she will be attending momentarily, or is it that she has does not have any intention of attending?

Ms. Barrett: The Chair was unavoidably detained, had another previous engagement, and is not able to make this morning's meeting.

Mr. Faurchou: Madam Chairperson, it is regrettable that the new chairperson is unavailable for this morning because it is an excellent opportunity to learn about the Corporation. This being her first report, it is obvious that one would want to be in attendance to do this, so accepting the regrets of the Chairperson for the record.

Madam Chairperson, I would like to begin—

Madam Chairperson: In response, Madam Minister.

Ms. Barrett: Just to put correct information on the record, Ms. Decker Hirst was here for the previous tabling and discussion of the previous annual report of MPI. I believe the Member was in attendance throughout that entire proceeding, so I just wanted to make sure that the Member knows that Ms. Decker Hirst was here at the last committee hearing and was unable to attend this morning's meeting because of a previous commitment that she could not get out of. She has been a very "hands-on," participatory chair, and in the few short months that she has been chair, she has become very familiar with the workings of the Corporation and, at the same time, allowing the Corporation's staff and executive to go about the business of the day-to-day running of the Corporation. So I think she has done a remarkable job in a very short period of time. I know she will be perusing Hansard very extensively once the Committee hearings are over.

* (10:10)

Mr. Faurchou: I did say that it was regrettable that she was unable to attend because of the opportunities that are presented, but we all know that each and every individual has an active schedule, those in public life, as well as those serving on boards and commissions.

I would like to begin by asking the question in regard to the annual general report. There was an announcement a little more than a month ago about pending rate reductions, and also, along with that announcement, there was an announcement regarding merit drivers and how those would be handled forthcoming. I was wondering whether the President would have an opportunity to explain about the announcement for the official record and the benefit of the members of the Committee.

Mr. Zacharias: The Corporation did file a rate application with the Public Utilities Board for rates that would start March 1 of next year, if approved as submitted. A number of things in that application, certainly we are continuing with trying to minimize cross-subsidization between groups, so we did calculate premiums based on the experience, both by vehicle category, ter-

ritory and use. We were not looking for any premium revenue increase. In fact, we were able to provide a 5% surplus dividend. So, when we calculated the applicable rate to each individual, we then reduced that requirement by a one-time surplus dividend of 5 percent. So we will use up roughly \$23 million of our surplus giving it back to Manitobans. We did have a surcharge at one point in time to build a reserve. Now that it is there, we can reverse some of that. We also made an announcement with respect to the bonus/malice programs, surcharge discounts.

One of the concerns we had heard from motorists for the period of time was that the long-term good drivers, long-term accident-free drivers, when they had their first accident, lost their full merit discount, and then it took them time to work it back. The change that we made was that if you have had six years accident-free driving, you would not lose your merit discount. It is not really a free accident, because what will happen is the driver of that vehicle will be treated the same as a non-owner where he will have to pay a surcharge on his driver's licence for that accident. The surcharge will be \$200. So we have been able to provide a considerable break to our long-term, accident-free drivers. Those individuals who have demonstrated poor driving behaviour, either by having accidents or accumulating demerit points, they will be paying more than they have in the previous years.

Mr. Faurshou: Just a little point of clarification in regard to the \$200 driver licence surcharge: Is that a one-time charge or is that a diminishing balance reduced over a period of time?

Mr. Zacharias: That is a one-time payment providing there are no other accidents; then that would be the end of it.

Mr. Faurshou: This, I believe, was the topic of discussion the last time we met, and I am very pleased that the merit drivers that have had a long-time good driving record, no-fault accidents—this I am pleased to see the Corporation's recognition of.

In regard to the reduction with surplus dividend payment, does this occur across the Board? I speak specifically of the motorcyclists

that have been incurring significant increases in their registration and insurance premiums over the past years. Are they beneficiaries of this as well?

Mr. Zacharias: Yes, what we did is we calculated everybody's premium as we would normally. After that calculation was done, we then reduced the rate requirement from each vehicle by 5 percent. So, in some cases where individuals or group of vehicles might have had a 10 percent—the statistics showed they should have been increased by 10 percent. We would have done that but then given them the 5% discount. So there will be some groups that will still see a higher premium than you might have paid last year, but certainly everybody is entitled to the 5% dividend, which is subtracted after doing the statistical calculation.

Mr. Faurshou: Thank you, I am appreciative of the answer. In regard to the motorcycle groupings, there has been significant discussion and presentation of the Public Utilities Board by the Manitoba motorcyclists coalition that essentially has drawn to light the significant responsibility, if I might say, in regard to an accident to that of the automobile operator rather than the operator of the motorcycle. In light of the way the public insurance corporation does its pooling, the motorcycle pool still has to, in fact, bear the brunt of repairs on the motorcycle involved in that accident, even though the at-fault individual is operating an automobile. As you can appreciate, I am certain you have had this drawn to your attention. I was wondering if you have a particular response in regard to this.

Mr. Zacharias: This issue has been thoroughly examined at PUB on several occasions. On two occasions PUB has issued rulings saying that the way we treat this situation is fair and equitable. They agree with how the Corporation approaches this particular item. With respect to loss transfer, which is moving all the money from an accident to the responsible vehicle, if we moved all the money out of the motorcycle pool that was caused by cars, it would only be fair that we would move back into the motorcycle pool all the damage they have caused to cars and their passengers or their occupants. So there is an offset.

* (10:20)

The bulk of motorcycle accidents are single vehicle in which the bike owner is responsible. If we did the loss transfer both ways, there is a small premium reduction in the rate needed from motorcyclists to break even. It is a situation where today they are probably paying—and I do not have the numbers in front of me—roughly half or maybe 60 percent of what they actually should pay to break even for that group. If we did the transfer, they might be paying 70 percent of what they should pay. So there is still about a 30% increase required before loss transfer would have any impact on them at all. It is an item, as I say, that the PUB on two occasions has ruled saying how the organization, how MPI treats this is appropriate. It has drawn the ire of some motorcycle operators. They see the loss transfer issue as being much bigger than it really is and that they would only be paying a fraction of what they are paying today if loss transfer did occur. Those are not the facts. We have met with the coalition. We have met with their lawyers. We have met with their PUB reps and explained all the numbers to them. But they, I do not think, have taken the time to pass as much information on the statistical side to their members as they have on some of the emotional side. If we did loss transfer today, motorcycle premiums are still 35 percent to 40 percent below where they need to be based on their claims experience.

There are a number of other issues that have been discussed. Certainly we have become much more involved with safety training for motorcycle operators and trying to get some safety messages out. We are making some changes again this year that I think are going to be positive for the group. We are breaking motorcycles down into three different categories basically: your touring, your sport, and your customized bike. The loss record in each of those categories is different. Sport bikes have by far the highest claims rate, and consequently we will now be splitting the motorcycle premium rather than treating everybody the same. The touring bikes will be paying less, and the customized bikes paying roughly in the middle category, and the sport bikes, we will take more money from them or, at least, are applying to take more money from them to again split that motorcycle group so that, with your more mature

drivers who are generally running the touring bikes, we can recognize some of their better driving behaviour than we see out of the sport bike class.

Mr. Faurischou: I appreciate the President's response in that regard because essentially we all are recognizing that there are varied groups within this classification. In regard to the safety issue and what you momentarily raised there as of last Wednesday, there was a report tabled involving the improved licensing of novice drivers for the operation of motorcycles and vehicles in this province. I wondered whether the President has had an opportunity to peruse the document and whether you have any comments at this time.

Mr. Zacharias: I think any actions that show they can reduce carnage on our highways is good. Certainly graduated licensing programs have drawn positive statistics in other jurisdictions, aside from the dollar factor, because we are simply a flow-through organization. If there are less accidents, we need to collect less. I think it is to the benefit of all Manitobans. Personally, more so from the human side of it, 150 fatalities, and some of the severe injuries we see each year, that would cause huge enquiries if those happened in airplanes, but because they happened in cars, they get a small paragraph on page 2, and everybody accepts it. It is still a huge loss to the province to see that kind of carnage and anything that can be done to curtail that, I think, is very positive.

Mr. Faurischou: Thank you very much, it is appreciated, and I am certain that you will have further opportunity to review the document and make formal presentation, I am certain, to the Minister.

In regard to the categories that you spoke of, the touring, sport and customizing, do you have an intended implementation date for this restructuring within the category?

Mr. Zacharias: That is also part of our Public Utilities Board application, if approved by the Public Utilities Board, would again kick in next March 1.

Mr. Faursehou: I am certain there are a number of individuals that will be very pleased to review that particular position come Public Utilities hearing. In regard to review, there is another segment which related to specifically what you mentioned within the motorcycle category, and that is within the automobile category involving antique vehicles. There have been a number of concerns raised by those individuals that operate antique vehicles and the level of insurance and registration fees charged accordingly and to the restrictions that those individuals operate under. I wonder whether the President, or anyone within the organization, has had opportunity to review this particular policy, as I believe it has been quite some time since this has happened.

Mr. Zacharias: The registration requirements and restrictions with respect to what that registration allows you to do falls under The Highway Traffic Act. If they can be registered under The Highway Traffic Act and various categories, then we apply some premiums for what they are operating. I am not aware of any recent review that has taken place, but I know that in the past they have been looking at some of these vehicles. Rather than being on the road, parade use only and things of that nature, I believe there is some provision under the Act, both insurancewise and registrationwise, that permits that, but I will have to get some advice or help on that one to what recent developments have occurred, if you give me a minute.

Mr. Faursehou: In regard to the antique vehicle owners, restrictions are quite explicit in the operation of the antique vehicle, and it is appreciated that certainly some of these vehicles are not exhibiting the safety equipment that is currently required for new vehicles. In essence, the use of these antique vehicles is very limited, and one criterion is that persons are members of a recognized car club. In a lot of cases throughout the province, car clubs are not readily available, and there are many miles and distances which one must travel just to engage or participate in those car club activities. One is again restricted by the amount of road travel that these vehicles incur. As well, there is a very specific list of events in which an antique vehicle can participate.

I can maybe cite one particular scenario is that antique vehicles and weddings, for instance,

are at present a no go. I think there have been numerous occasions where I am certain that there are vehicles housed and shedded from generation to generation that one would like to have participate within a wedding and on that very important date. However, these are prevented other than to register that vehicle in another category other than antiques. For that one day only to use that vehicle it has to be upgraded to a different all-purpose category and away from the antique vehicle category.

This is just an example of some of the points which I feel, and as has been exhibited by numerous antique vehicle owners, is a concern to them. Now, whether this is within the realm of MPI or within the realm of the Motor Vehicle Branch, perhaps it could be clarified.

Mr. Zacharias: The items you speak of are all involved in The Highway Traffic Act and the Motor Vehicle Branch. Basically, antique vehicles can be registered in two ways. One is an antique vehicle, which means that there is a limited parade presence in which you can drive, as well as to and from a repair shop. Using it on the highway beyond that requires normal plate registration. Then we would provide the insurance coverage for those. But the rules of which you speak are all Motor Vehicle Branch rules.

* (10:30)

Mr. Faursehou: I appreciate the response. I trust that the Minister is listening, and she will perhaps take this situation as note and perhaps can have a review of that particular situation, as I certainly know of numerous individuals who would like to have that opportunity.

If I might just have one moment, I would like to ask my colleagues—I have a line of questioning certainly to proceed, but I would like to just ask to have one moment please.

Mr. John Loewen (Fort Whyte): Madam Chair. I appreciate the opportunity. I know the Minister is interested in making sure that the record was absolutely correct. I would just like to remind her that I think it is unfortunate that the Chair is not available today. I think it is unfortunate that at our last meeting, although the Chair was in attendance, she left very early, so at

that point was really not available for questioning as well. Just to make sure that the record is entirely accurate.

I guess I have some questions regarding the financial statements that I would just like to get some clarification on. I notice the revenue for the year ended February 29, 2000, showed a significant increase, approximately \$27 million, and I am wondering if that was primarily due to rate increases over the previous year or if the President could explain exactly what that increase resulted from.

Ms. Barrett: Yes, before I ask the President to respond to the question, I do want to assure the Member that the Chair of the Board was here until twelve o'clock that day.

Mr. Zacharias: With respect to the revenue, there is actually a 1% revenue decrease that was reflected in our rate application. What we do see increased premium written coming from is vehicle upgrading. As people buy new cars or upgrade, the newer vehicles have a little higher premium attached to them. I believe, also, year over year, there were about 10 000 more vehicles registered in the province than the previous year. It was a combination of those two items that gave us a higher premium.

Mr. Loewen: Thank you for that information. Also on the revenue line, the reinsurance amount, just on a quick reading of this, would indicate to me that maybe ask the President to confirm or at least explain if in fact what I am reading is accurate, that the cost of the reinsurance was roughly \$7 million in '99 and roughly \$9 million in 2000. Is that an accurate reflection of the cost of that reinsurance program?

Mr. Zacharias: Do you have the reference as to where the—

Mr. Loewen: I am looking at page 27 of the financial statements for 1999, premiums earned, note 7, and note 7 goes on to explain that the difference between the premiums written and the premiums earned as a result of the reinsurance to avoid, I believe, the Corporation having to pay for losses over a million dollars. I am just trying to clarify whether in fact the cost of the Corpora-

tion of placing that reinsurance is reflected between the difference of the premiums written and the premiums earned year over year.

Mr. Zacharias: There were two items that impacted the reinsurance costs. One was certainly buying down to a million. It used to be that, when an accident occurred, we would keep the first \$2 million of damage incurred, and after that we would have reinsurance. When we shopped the market the last time around on the renewal, some of the pricing we got to buy it down to a million seemed to make business sense to us in that we could buy the extra protection at a cost, knowing we have some claims each year that fall into that category. That we get greater protection for the dollars paid, we thought it was favourable to us to buy it. The other item that came into that picture was also, with respect to the tort claims, pre-March 1, '94, we still had some of those claims to settle. We have some dollars set aside to do so. We believe they are adequate dollars, but until they are settled, you never know. So we also did buy some protection with respect to our tort program, that if by some reason, or a lot of court judgments that were higher than we had anticipated, the Corporation has some protection with respect to our maximum exposure, to settle the remaining tort claims. So there were two new products that were purchased last year that were not there before.

Mr. Loewen: My question would be, through you to the President: Has there been any thought given towards setting up a fund similar to the Rate Stabilization Reserve, a reserve basically for the Corporation to self-insure and not to have to deal with—I know from previous experience that when you get into these reinsurance situations that the rates can fluctuate dramatically year over year. Sometimes things are way out of control, depending on whether the space shuttle blows up or not, the reinsurance rates, because they cover a wide spectrum. Has there been any thought given by the Corporation to self-insurance?

Mr. Zacharias: Yes, the Corporation has certainly looked at self-reinsurance to a certain degree and maybe, as the pot accumulated, to do that more and more. We do have a corporate policy with respect to catastrophe and catas-

trophe funds and trying to develop a fund. Part of that also deals with costing. In the last few years there has been a significant over-capitalization in the reinsurance market which has driven prices lower than what we were experiencing four, five, six years ago, which has made it an attractive buy. But certainly depending again on loss experience, we may not be able to buy our capacity in the future at reasonable prices.

So, as our financial strength goes, our capacity to absorb more loss ourselves is being reviewed. At this point we have not established it as a separate fund, but certainly within the RSR, Rate Stabilization Reserve, part of the requirement there, part of our element there is to cover non-recurring losses, which is basically single-event types of things. The measure between how much you buy and how much you retain and what your exposure is and how you can cover it off is reviewed on an annual basis and will again be done next month as we start looking for 2001 coverage.

Mr. Loewen: Just another question regarding revenue. Is it the policy of the Corporation to do comparisons with different categories of drivers in terms of sort of age-related comparisons with neighbouring provinces. Do you do those comparisons when you are looking at your rates?

Mr. Zacharias: We do a lot of comparisons based on vehicle usage and owner-driver experience. We do not do any comparisons with respect to age, sex, or marital status since those are not criteria that we use in our rating system. Most of the numbers we rely on are done by third parties. Certainly doing an exact comparison of coverage is different, because minimum requirements and our coverage here are a little different than other areas. But certainly in general the numbers we get back, while we have not boasted a whole bunch yet, we feel that with this next rate application that we will be having in general the lowest rates in Canada. There are certain categories of people that we know and we do comparisons where inexperienced drivers get a huge break in Manitoba compared to some other jurisdictions and the more mature family driver who can leverage his home, his cottage, his boat and his car with an insurer is going to be much more

competitive with our pricing because we only do the car, but generally prices in Manitoba are very favourable compared to the rest of the country.

*(10:40)

Mr. Loewen: Well, thank you for that information. The reason I asked is I was just out of curiosity comparing insurance rates with some friends in Ontario. I was a little bit surprised to find out that in a similar situation with a driver experienced on an equal basis to myself, their rates were lower. In fact, what you are saying about the inexperienced drivers, the younger drivers, it was considerably higher. I guess you are confirming that that is the general sense of it, that maybe in Manitoba drivers with a good record and a lot of experience might be paying a little more than in some of the other provinces. We are benefiting by the fact that some of our younger and less experienced drivers are paying in most cases substantially less than some of the other provinces. Is that sort of an accurate reflection of the rating structure?

Mr. Zacharias: The fact that the inexperienced drivers here compare hugely favourable to other areas, I would confirm the fact that the experienced drivers generally pay more here; no, I would not say in isolated circumstances they do. Again, just sort of making a general assumption that individuals you might have been speaking to in that kind of situation probably are seen by the private sector as their best clients who they will maybe make a significant discount to retain them. One of the biggest problems we have, not biggest problems, one of the main problems we have that we have investigators working on constantly is that it seems to us that half of northwestern Ontario wants to become Manitobans when it comes to registering their cars. If you drive into the Abitibi paper plant in Kenora, you will be amazed that according to the cars on the lot, they have about 90 percent Manitobans working there. So they see us as having much more favourable rates, and trying to weed out who is Manitoban and who is Ontario is a full-time job for one of our investigators.

Mr. Loewen: Interesting dilemma. Maybe, in fact, they are Manitobans who are residing in Ontario to pay less provincial income tax. I do

not know. You might want to have your investigator look at that. Anyway, I think that pretty much covers the revenue side. In terms of budget for next year, are you anticipating a decrease in the \$520 million in premiums earned as a result of the application before the PUB or do you expect it to be relatively flat?

Mr. Zacharias: Without having the numbers in front of me and I could check them, I would say relatively flat. What we normally see is about 1.5% premium growth over the long term simply by upgrading. In the last three or four years, we have seen that number go to closer to between 3 and 4 percent. So we would expect premium growth at 3 or 4 percent. You take the 5 percent off, you maybe lose a point, if you have a few more vehicles registered or things of that nature. So, again, we will be pretty flat, I think, because we will also pick up a little more on the driver's side this time.

Mr. Loewen: In terms of the expense side, I would say that there is nothing sort of glaring that really jumps out, general relative increase in expenses. Anything in particular on the expense side in terms of operating costs that have accounted for a significant portion of the \$5-million increase in operating expenses?

Mr. Zacharias: If we take out the one-time cost for special programs or projects, our operating costs are staying very flat in comparison. We continue to try and have successfully run at 58 percent of the industry average on expense ratios for the last three years and hope to maintain that. We did have a lot of one-time costs related around year 2000 and did a number of major projects. Those costs, while some are amortized, a lot of that is finding its way through the system. In general administration, what we would call normal operations, they have been very flat.

Mr. Loewen: I know sort of in the insurance business, in general, there has been a big effort by the private companies to in fact reduce their operating expenses. A lot of it has been done through amalgamation, but I know it is a big push in the industry. Any plans in the future to reduce operating expenditures within the Corporation?

Mr. Zacharias: To try and mitigate the impact, I would say more so than reduce, and that we

have 750 000 customers and every dollar we spend gets split between those customers, if we add another workstation, if we add another phone line, you have got the same customer base against which to split those expenses. We need an IT infrastructure to run the business, and whether you do 10 transactions or 100 transactions, you still need the system. So the Corporation has certainly looked at what opportunities there might be to mitigate some of the transaction costs or to share services and things of that nature. Certainly there is nothing immediate that I see assisting us with that, but maybe if you can help me with the takeover of SGI, we can cut it in half.

Mr. Loewen: I will leave it up to the Chair and the Board to determine whether that is a reasonable strategy or not. I guess I would ask, though, in terms of ongoing operating costs, and certainly as with any business, there is a cost to having a middleman. I am just wondering, given the technology available today and the use of the Internet, is there any strategy in place to maybe provide direct to the customer the ability to purchase through the Internet?

Mr. Zacharias: We do certainly have an Internet strategy. Direct purchase is not an option that we are considering at this point in time. We think we have other areas that can provide significant benefit. First of all, there is information to get out. If you are shopping for a car on the weekend, we hope to have quote features there, where you can compare the premiums of various cars to maybe assist you with your choice. E-business with respect to autobody shops, doctors' offices, and things of that nature to eliminate a lot of paper handling of invoices, I think, offers some good opportunities for us, but at this point certainly we have not looked at actual renewal transactions.

Mr. Loewen: My only comment there would be that, given that 30 percent of your expenses are in fact commissions, there might be an opportunity for some cost savings.

I would like then to move on to page 29, a few questions about the funds that are there, basically the reinsurance rates stabilization fund. I believe the last time this committee convened and we talked about the level of fund you would be comfortable with, I think you were talking

then around a hundred million dollars. I notice that the fund is now at close to a hundred and five million dollars. I guess I am asking if my statement is correct, if in fact the fund was at about a hundred and five million, you would anticipate it kind of levelling off there now.

Mr. Zacharias: The target range that we have for rate stabilization, and it has basically been a three-year target that started a few years ago, been reconfirmed with respect to our current PUB application, is \$80 million to \$100 million in the Rate Stabilization Reserve. At the end of last year, we exceeded that a little bit. During this current fiscal year we may well add to it, depending on what happens between now and next February. The fact that we have some surplus there is what has allowed us to look at a surplus dividend in our next application where we will be using some of the surplus funds to return that to the policyholders.

Mr. Loewen: That is all my questions on that fund. I guess I would like to focus a little bit on the retained earnings, if I could. Having just seen the report, I guess I would be interested in determining the difference in the net income on the—or I guess the reconciliation between the net income of \$40 million for the Rate Stabilization Reserve and the amount of approximately \$11 million, which is shown as the net income for the year, based on the retained earnings fund.

* (10:50)

Mr. Zacharias: We have three different products. We have the basic insurance, which is compulsory that everybody has to buy. Any funds we accumulate in that pool are shown as Rate Stabilization Reserve. Those funds are not mixed with the other lines of business, and they pertain only to the basic program.

In addition to that, we have two other lines of business, one being what we call Autopac extension, which is the options that you purchase on your vehicle registration, buy downs, deductible, buy up of third-party liability. We have another line of business, which we call Special Risk Extension, and that is again in the competitive area. It deals with things such as the trucking industry, off-road vehicles and specialized risks that we rate. Both the Autopac

extension and the SRE operate in competition with private companies, and the total accumulated surplus or retained earnings in those two competitive lines of business now total \$79 million.

Mr. Loewen: Madam Chair, going into the future then, given that the basic insurance Rate Stabilization Reserve is certainly on the high side of what you anticipate your requirements being, is it anticipated that profits from the basic insurance line, starting with the year 2000, would then flow into retained earnings?

Mr. Zacharias: No, there will never be a mix of funds between the basic program and the competitive programs. They have to stand alone so that any funds coming into the basic program and funds which accumulate there, funds that are generated from the basic program flow into the Rate Stabilization Reserve, which is still within the basic program so that is run as a totally separate entity, separate company.

The retained earnings refer to the two competitive lines of business, which again are accounted for separate to the basic program. So the \$79 million will always stay with the competitive lines, and they have to meet the solvency tests and things of that nature that any private company would. The Rate Stabilization Reserve, which is attached to the basic program, and the basic program is not a requirement to meet all the OSFI principles because we have a captive audience, but that is why we have the target of 80 to 100, which is probably \$60 million to \$70 million less than if we had to meet solvency tests applicable to the general industry.

Mr. Loewen: So based on your response, I would anticipate then that there really is no upper limit to the balance that will be in the basic insurance rate. It will continue to increase, year over year, by the profit from the basic insurance. I guess I would further assume from that, if you are comfortable with an upper limit of roughly \$100 million, then presumably the Manitoba ratepayers could look forward to a continuing managing down of their premium to maintain that basic insurance stabilization reserve at roughly \$100 million.

Mr. Zacharias: Yes, well, that is the principle that we are working on; 80 to 100 is our comfort

zone. Since we are starting to go over 100, we are giving it back to our customers. We know that our costs, simply through inflation and car pricing and things of that, go up about roughly \$20 million a year based on our customer base. So costs increase each year, and the fact that we have a little surplus now, we have been able to basically hold premiums flat or decrease them a little bit for three years in a row. So our revenue has been basically frozen to a certain degree. Costs continue to rise.

Our pricing has to be such so that we more or less break even as we get at the hundred-million mark in our Rate Stabilization Reserve. So you will be seeing some pretty flat pricing. Certainly the price we will be looking at will be something that would not add significantly, other than normal deviations, to the hundred-million dollars. Then if we have excess there, then we can give it back again to the customers.

So, certainly, I think the Corporation is stronger than it has ever been financially and that we are well positioned to basically look at a flat revenue line for a few years.

Mr. Loewen: My congratulations to you and your staff. I think that is wonderful news for the ratepayers in Manitoba, that they can continue to look forward to, hopefully, at worst, flat, and hopefully, with good management, even reduced rates going into the future.

I would like to talk a little bit about the Statement of Retained Earnings on page 29. I notice the balance this year is \$79 million, up from \$76 million a year ago, which is reflective, from your explanation, of the earnings in the other insurance lines that you are in. I wonder how that retained earnings balance would compare to an insurance company of sort of a similar size operating in the private sector, whether you feel you are comparative there.

Mr. Zacharias: Yes, under the solvency test, there is minimum cash that a company can have on hand before they get shut down. For us, that minimum would be about \$20 million—I am speaking ballpark—in the Autopac extension and around \$20 million in the SRE. So if we had less than that, we could not operate.

Most companies will want at least one and a half to two times the minimum in order to not

get themselves into difficulty, particularly since these are relatively small businesses. If you are talking a \$30-million business, roughly, income on both sides, that is not huge, and therefore results can vary considerably year to year.

So we are comfortable with that level. I think that we have reached, though, the upper end of our comfort level, and we can look at either price reductions or something like that where we can give more benefit to the consumers, to those customers who have bought from us and continue to buy from us. So we, again, would be looking at some of the pricing.

In fact, you have already seen some of that the last few years, for instance, on lay-up policies, cars that you do not want to drive in the wintertime. The cost of that lay-up policy has gone down almost 50 percent in the last few years. We have done some better things for optional motorcycle coverage. So because we are now well funded in that area, we can use those funds to provide better benefits to Manitobans who choose to do business with us.

Mr. Loewen: Given that information, I gather, as far as retained earnings go, you are saying that \$40 million would be the minimum. You are comfortable with two times, which is \$80 million. So you are basically at your comfort level for retained earnings, at your comfort level for your Rate Stabilization Reserve.

It is unfortunate that the Chair is not here, because this would be a question, I think, more relevant to the Chair of the Board, but I would ask it of the Minister, because when corporations reach that level, it would typically be the shareholders that say now it is my turn to get some dividends. So I am just wondering if there has been any talk at the Board level or if the Minister is aware of any plans to ask the Corporation to return some of the excess in the form of a dividend to the Province of Manitoba, as opposed to reducing rates for individual consumers.

* (11:00)

Ms. Barrett: No. The Board has not yet discussed the retained earnings for the competitive lines of the business. So, as the Chair has said, the Corporation is close to its comfort level but

we have not had that discussion yet. We are within the comfort level at this point.

Mr. Zacharias: When we speak about "retained earnings" and the two competitive lines of business, the minimum targets are established through OSFI. What the maximum target should be, we do not have board policy on that. We have never had the luxury of having to even consider that in the past.

When I spoke of two times the OSFI requirements, that is sort of my comfort level because they are smaller companies. After that we can start doing more for providing better coverage at lower prices for the options that people buy and that we have started to do on some of the products that we put to market. But at this point, we have not had a, as the Minister said, board discussion with respect to what should the maximum be and what are we going to do with it if we ever exceeded that.

Mr. Loewen: Madam Chair, just to correct the record. The Minister mentioned that the Chair responded, just to set the record straight, the President and Chief Executive Officer responded. The Chair is not here. So I would ask the Minister if there has not been any discussion. Is she anticipating having a discussion with the Chair of the Board regarding a potential dividend policy for the payment of dividends from the Corporation back to the Government?

Ms. Barrett: The Board will be discussing a range of issues over the next period of time. As the President has said, the Board has not yet discussed what the comfort level is on these two items, on the competitively marketed product lines. As the Member is well aware, it is a new board. It has only been in place for several months. It has not been in place for very long, so the board members are still getting themselves comfortable, familiar with the Corporation.

It is a very complicated complex corporation, it has a lot of stuff happening—and that is a technical term. All of the services that MPI provides, all of the products that they sell, both in the basic insurance and in the competitive lines, what the retained earnings should be particularly in this line that we are talking about, these are all issues that will be discussed by the

Board. But as I have stated, it is a new board; they are getting their heads around—another technical term—the Corporation and its operations, and I expect them to be addressing these issues in the fairly near future.

Mr. Loewen: Madam Chair, I guess I would ask the Minister directly then, seeing as the Board and the Chair of the Board do report directly to the Minister, whether it is her intention to request that the new board examine the possibility of flowing dividends from the Corporation back to the Government of Manitoba?

Ms. Barrett: In the context of the retained earnings section? Request clarification, for the Member, please.

Mr. Loewen: It is my understanding from general accepted accounting principles that that is where dividends come from.

Ms. Barrett: As I stated, the Board will be looking as a board at all of these issues. They will be discussing those issues with the Minister. I expect that we will have dialogue on a number of issues, including this one.

Mr. Loewen: I am having a little trouble, I guess, discerning the Minister's answer. Would it be correct, then, that she is not anticipating having discussions with the Chair of the Board with regard to asking the Board to consider providing dividend income to the Province of Manitoba?

Ms. Barrett: We are talking about the statement of retained earnings, is my understanding, and that is just under \$80 million at this point. No, I am not, I have not had discussions with the Board or with the Chair of the Board on this particular issue yet. But as I stated in an earlier response, I expect to have discussions. I expect the Board to come up with, to discuss many of these issues at a board meeting or at retreat or in a whole range of opportunities that the new board will have to look at every element of the revenue and the expenditures and the services of the Corporation.

Mr. Loewen: I guess, given the Finance Minister's (Mr. Selinger) statement earlier—in fact it was likely in December of 1999 that this

government was looking at the possibility of Crown corporations flowing dividends through to the Government of Manitoba. I am a little surprised that the Minister responsible has not had any discussion with the Chair of the Board regarding the flowing of dividends back to the Province of Manitoba.

Just for clarification, I am sure the Minister can check this, but I believe from generally accepted accounting principles, the only place that dividends can flow is from retained earnings. There are two ways of the retained earnings of the Corporation growing. One is to start to move the excess revenue from the basic insurance business into retained earnings along with the other profits, which is a matter of policy as opposed to legalities.

If the Minister does not want to answer that question or does not want to speak to it at this point, it is something we will have to continue to raise in the House. But I can assure her that Manitobans will be very interested in the policy that she and her government will be setting and will be directing boards of MPIC and similar companies to follow. They will be very interested to know if it is the Government's intention to, I guess, reward the consumers by reducing rates or to reward themselves by flowing dividends. We will look forward to hopefully an early conclusion to those discussions between herself and Cabinet so that the people of Manitoba and the people running MPIC can organize themselves accordingly.

Ms. Barrett: I was very clear in my questioning, in my asking for clarification of the Member as to whether he was talking about retained earnings or the Rate Stabilization Reserve. I do not know how other corporations work their books, et cetera, but in this case, and I am open to being corrected if I get it inaccurately, but we are talking about two different entities here. As the CEO just said earlier, you cannot flow money from one to the other in this process. The retained earnings, the private competitive portion of MPI, those are separate and apart from the Rate Stabilization Reserve. They cannot go, money cannot flow back and forth.

The Public Utilities Board application only addresses the Rate Stabilization Reserve. It only addresses the public part, the basic part, the

required part. I think the Member would recognize that that makes a lot of sense, because that is the Public Utilities Board. They are dealing with the rates, et cetera, and the services that the public part of this MPI provides. They do not address those additional or extra or add-on kinds of services that are available through the private, competitive portion, which is reflected in the Statement of Retained Earnings, the \$79 million there.

PUB deals with the public Rate Stabilization Reserve. That is the one where, because we had over \$100 million in the reserve, the decision was made to provide this one-time only 5% dividend to the ratepayers and the people who pay and buy Autopac. So that comes from the Rate Stabilization Reserve, the public funding, not the privately, competitively driven elements of the procedure. We are, in our PUB application, talking about additional returns to the people of Manitoba, not to the Government of Manitoba, some other general categories that we are looking at out of the Rate Stabilization Reserve fund. There has not been any discussion of a return of any monies to the general coffers of the Government of Manitoba. What we are looking at, what we have made application to PUB is to other general pots of money that MPI can use to provide better services and more support to the people of Manitoba.

* (11:10)

Madam Chairperson: Mr. Zacharias, did you have anything you wish to add? No.

Mr. Loewen: I thank the Minister for that clarification. We are getting into a little bit of splitting hairs with regard to accounting policy here, but just for clarification, the dividend is not coming out of the—I do not believe anyway—Rate Stabilization Reserve. The dividend will be reflected in next year's financial report on the profit from basic insurance, and presumably with all else being the same, next year's profit will be reduced from \$40 million to a number somewhat less as a result of a reduction in premium. But presumably the \$104 million will likely continue to either remain stable or increase. I would not expect it would go down.

Mr. Zacharias: On the basic program, which has a mandate to break even over the long run, we do not deal with any surplus or deficits from

operations. But since the whole idea is to break even over the long run we do not refer to any surplus as retained earnings. All surpluses that accumulate in the basic program go into the Rate Stabilization Reserve.

So there is a real wall between our competitive lines of business and the basic program. Since the basic program has a target of \$80 million to \$100 million in the Rate Stabilization Reserve, and since we are already at 104 at the end of last year and we expect to accumulate some more during the current fiscal year, when we did the PUB rate application of 5% dividend, actually it is using up some of the surplus funds accumulating in the basic program so that it will bring down the level of that reserve at the end of that year for which we have applied rates.

So, when we start out at \$104 million this year, we will add a little bit to it; next year we will use some of those funds, so that we keep the balance between that \$80 million to \$100 million range, the retained earnings. When we look at how we look at traditional companies, that is all on the competitive side, the basics, the one program. So the money we are using for the surplus dividend will be surplus money within the basic program which rather than add to the 104 would either give it a neutral balance or maybe even draw it to 104, down a little bit if we needed to do that to make up the 5% surplus dividend. But it would be reflected always on the basic retained earning or RSR side.

Mr. Loewen: Thank you. I appreciate that clarification. I think we are talking about the same thing, just maybe in a little different terms. I would like to talk here for a few minutes about the balance sheet, particularly with regard to the cash and investments. That is on page 28, and I would like to refer to page 33, to note 4, which identifies the balance of those funds. I see from that that the average coupon rate in 2000 for the provincial paper and the municipal paper seems in some cases to be a little bit low. I am wondering if the President could give me a bit of a breakdown in terms of the coupon rate for the different classifications of investments.

Mr. Zacharias: The coupon rate that we are talking about does vary significantly. Nearly all of this relates to bond portfolios. Some of these

were very long-term bonds that we have had for a number of years, and others are more recent investment. So this is simply the return based on various groups of bonds that we have held or are holding. While some of them are old they may be recent investments, and others with much higher rates attached to them are long-term items that we purchased and have had the benefit for high returns for a number of years. So it is producing a fairly significant variance. Whenever we have made an investment of that nature, though, in provincial infrastructure, it is done at competitive rates.

Mr. Loewen: I am just a little curious about the balance of the funds. I am not sure who sets this policy, whether it is done internally or approved by the Board, but it certainly seems that when one would compare it to most funds of this nature in the private sector there seems to me to be a significantly higher waiting in government paper with this fund as opposed to private sector paper. I am wondering, is there a policy with regard to that or is that simply reflecting the desire for, I guess, a safer investment at a lower return?

Mr. Zacharias: I think there are two factors at work. Until recently the Corporation has basically held all its monies in bonds. We now do 10% equities, 90% bonds, so that has changed the mix a little bit. One of the other items was that the mandate of establishing MPI, and has continued to be our mandate over the years, is to try and keep as much of our money in Manitoba where it would benefit Manitobans. Consequently, I do not think there has been a school, hospital or municipal building built in the province for many years that we have not funded. So we have a very extensive list of investments within Manitoba which hopefully provide some benefit to Manitobans of having this organization around outside of straight car insurance. But those investments are still being made at competitive rates when we do that. But, yes, there has been a deliberate attempt to keep our money working in Manitoba.

Mr. Loewen: In looking at this just as a rough calculation, am I safe to assume from this then that roughly about 45 percent of the fund is invested in Manitoba, a little less, maybe 40 percent?

Mr. Zacharias: At the time of this annual report that was about 40 percent in Manitoba, or 40 to 45 percent in Manitoba.

* (11:20)

Mr. Loewen: Is there a comparison of the rate of return for that 45 percent versus the other 55 percent that is either in private or out of Manitoba?

Mr. Zacharias: We do not have a breakdown of the results within Manitoba versus out of Manitoba. Certainly we compete in the competitive environment outside of Manitoba and investments within the province which are made by the Department of Finance, the Minister of Finance (Mr. Selinger) who has control over all of our funds in the investment arena. We still, on our local investments, have done extremely well because schools, hospitals, municipals and things of that nature sometimes carry a little more risk to them, and we have been able to see that in our return.

Mr. Loewen: I guess just in closing the questioning, the reason I ask this is because obviously the rate of return that the Corporation is able to effect on this million-dollar fund can have a significant impact in terms of the profitability of the Corporation and hence the rates maybe that get charged to Manitobans for insurance. So there is always a bit of a dilemma. It is a worthy cause to be investing in Manitoba, particularly in government-backed paper for Manitoba, but there is a balance between what cost versus what reward. In fact are they doing the best thing possible for the ratepayers or, in some cases, I guess, in the worst-case scenario, it could be seen by the Finance Department as a source of relatively inexpensive funds for the province to fund its own activities.

So I guess I would be hopeful that maybe in the future, when this committee reconvenes, we could have some breakdown of the average rate of the investments in Manitoba versus the average rate in federal and in other provinces, which basically equals the amount of investment in Manitoba at roughly \$460 million. Perhaps it would be interesting if the Chairperson was here to again express that maybe the Board would want to look at that policy of 90% government

paper and 10% corporate paper. While there is a little higher risk with corporate paper, certainly the balances may be a little strongly weighted to investments that are a little less risky but will also carry less reward in terms of investment.

Just I guess in terms of one last question—

Madam Chairperson: Mr. Zacharias would like to respond. Mr. Zacharias.

Mr. Zacharias: Just a couple of comments with respect to right down between equities and bonds. During the fiscal year I represented this report, it was 90-10. Our investment committee has changed those parameters and increased the amount of equity that can be used outside of bonds. Basically, the target now is 75-25. If you are looking for returns in province, out of province, I would refer you, while we do not have it as such, on page 34. When you look at the table there, with respect to effective rate and coupon rate, if we look at the line of schools, hospitals, municipal, you will see the rate of return that we have on those particular items, and you can compare that to the bottom line corporations, which would be investments in the private sector basically outside of Manitoba, in many cases, as well as the federal and provincial lines. On the provincial line, that could be other province bonds as well as Manitoba bonds. So it is not exactly what you are looking for, but it does give you some indication as to the return we are getting on schools, hospitals, municipals.

We also had Towers Perrin do an extensive review on our investment portfolio, and I am pleased to advise that the return the Corporation has realized is in the top quartile of the P and C industry in Canada. With the billion dollars there in investment income now, proper use of that has a huge influence on premiums. If we could maximize investment returns, it could certainly be utilized to offset premium requirements. That is something that we are concentrating a lot of effort on.

Mr. Loewen: I would like to thank Mr. Zacharias for that information. That is very valuable and probably I would somewhat agree that 75 percent, 25 percent is a little better mix for a fund of that nature. I guess my final question to the President, the CEO, is there any

other information of significant importance on the balance sheet that should be shared with this Committee?

Mr. Zacharias: No, I think the balance sheet is very strong. I would just say the Corporation, I think, is in its best financial position in its history. A lot of effort has gone into risk mitigation, trying to make sure that our future is looking a little further ahead in our planning window, and particularly our financial planning window, so that we can try and put in programs to reduce costs or generate revenue outside of rate increases. At this point, I think the facts very strongly speak for themselves, and I do not believe there are any jewels or surprises that are buried anywhere in this report that is not there on page 9.

Mr. Loewen: Just in closing, I would like to congratulate the staff, particularly the CEO and the senior staff, obviously from the last two reports we have also witnessed a significant strengthening of the Corporation. And of course at the same time I would like to pass on our congratulations to the previous Chair and the previous board who oversaw a lot of this and wish the Corporation and the Chair much success in the future and as much success with their new board as they had with their last board. Thank you.

Mr. Faursehou: Madam Chairperson, I would like to begin my line of questioning with an update on the office of fair practices that the Corporation opened some seven months ago in regard to the resolution of some situations between policy holders and the Corporation.

Mr. Zacharias: The office has been up and running and, in our minds, is proving a very valuable asset to our organization, both from issues that our customers have brought in, as well as issues that I have asked them to look at on a few occasions. They are serving the purpose for which they are intended. The manager reports on a very regular basis direct to myself on what he is hearing, what he is seeing. That allows us to have first-hand information to either recommend policy in some cases but more often look at operational procedures to make sure that when customers deal with us, they are not being dealt with unfairly.

Mr. Faursehou: I appreciate the work that is being done by the Fair Practices office, but I would like to get back to the question that was originally posed by myself a little earlier on in regard to the reporting and the manner in which the office operates.

Currently the office directly reports to your office, and situations have developed where one evaluates a situation that is not addressed by policy currently, and it may be recognized even by the individuals within the Fair Practices office that policy does not prescribe an equitable outcome. That is the rationale behind my original request for consideration that this office report to the Board of Directors or to the Minister, one of the two, where, in fact, policy is very, very important in the resolution of some situations.

Perhaps the Minister could respond as to whether she has had further time to consider this original request as per the Uruski report.

Ms. Barrett: The Fair Practices office has not been in existence for a very extended period of time. I think a change of that order would be a very large change indeed. I am not saying that it is not a good idea or it might not be something that the Corporation would look at, but I do think that what is happening now, is my understanding as the CEO has said, is that information has been generated by the Fair Practices office that can assist the Corporation whether it is a policy issue that would need to be discussed at the Board or a procedure issue that can be discussed just at the staff level in assessing concerns and problems that individuals have either with their own particular situation, or in some cases maybe there is a broader context within which to deal with this issue.

* (11:30)

So I think it is a bit early yet to say that this Fair Practices office needs to be reconfigured completely. I know that the Workers Compensation Board has a fair practices person. I am trying to remember now if it is called that exactly. At any rate, there is an individual in an office that is slightly differently configured, but I think at this point I have not been convinced that the way the Fair Practices office and MPI is currently constructed is not useful.

It may be, as I said earlier, that you need to take a look at what kinds of issues have been raised to the Fair Practices office and then through the Fair Practices office to the Corporation. Are they policy in nature or are they individual cases? Are they things that can easily be changed, or are they broader issues, and what is actually happening with those concerns?

So I think we need to investigate as a board, as a minister, and a staff what the current situation is with the current configuration before we make any decisions about the utility of the current situation, of the current Fair Practices office. Is it doing what it was designed to do? If it is doing what it was designed to do, is that enough, or do you need to take a look at some further implementation of something? I am not prepared at this point to raise this other than getting information about what has actually happened with the Fair Practices office as it has gotten up and running.

Mr. Zacharias: Maybe just a little more background will help. When an individual does not feel that he has been treated properly by the organization, today and for the last three years he has had the option to go to the Ombudsman, which is outside the organization at arm's length; the Rates Appeal Board, which is outside the organization at arm's length; the Public Utilities Board, which is outside the organization at arm's length; the Autopac Review Commission, which is outside the organization at arm's length; Small Claims Court, which is outside the organization at arm's length. You invoke the arbitration procedure for resolving disputes, which is not something we control outside the organization and go to QB Court, which is outside the organization. They can go through their various elected representative's office, which is outside the organization and out of our control.

So we already have about 15, maybe not quite that many, but a large number of avenues of appeal that are not bound by policy, all in place to try and make sure our customers are treated fairly. The Fair Practices office, because we now have so many places that people can go and access, we need some co-ordination inside the organization to make sure we are capturing the right information and that we are trying to

deal with issues before rather than clog all the external arteries of appeal.

So the Fair Practices is not an ombudsman, but it is something that is my eyes and ears and our board of directors' eyes and ears, because the Board also hears directly from these people with respect to what are the issues, where are they going, have we identified them all, so that we can deal with those collectively internally with respect to what we need to do to get better. So to add another, the 12th or 13th outside agency to look after what is happening, rather than be one of 13, I like it when it is one that is on the front line.

Mr. Faursehou: Thank you very much for the Minister's response and the President's as well. I will leave this topic, but I cannot stress strongly enough that there are numerous cases out there pending that just do not feel that the Corporation is doing all that it can because of where hands are tied in regard to existing policy. Yes, the number of organizations that you mentioned there are in existence. However, they all take a great deal of time. A number of them also require additional monies from the claimant. It is something that I think that we as a government, and I am certain the Minister respects this as well, be viewed that we are, in fact, user friendly.

I know that at times earlier you, Mr. President, recognized that not all adjusters are yet first and foremost acting on behalf of the claimant, because it is just trying to change and teach, for the lack of a better term, a dog new tricks in regard to how the Corporation functions. I am going to get into a couple of situations here where that is quite exemplary.

But I want to stress once again to the Minister that the Uruski report was in fact just to bring the Board and/or the Minister's office directly to the front lines of MPI where in fact the Minister is front and centre with particular policy concerns which in fact individuals may not be satisfied with.

So having said that I would like to move to a situation regarding the division of powers that we already talked about between the Highways Minister's office and the department of motor

vehicles and licencing. They are responsible for providing inspection, one being the body integrity inspection as well as light vehicle certificate of inspection. I start to raise this on the basis that I have a particular situation which has arisen regarding a particular vehicle. But before we go any further, has there been any discussion since the last time I posed the question as to the amalgamation of the motor vehicle licencing division of the Department of Highways with Manitoba Public Insurance Corporation?

Ms. Barrett: There has been discussion in the past, as the Member is aware, of how best to provide service to motorists and car owners and drivers of vehicles and other dealings of that nature. We are still in the very preliminary stages of this government trying to work out these very complicated issues, so I have at this point no further update than the issues are under discussion and under review, but I have nothing further to add at this time.

* (11:40)

Mr. Faurshou: Okay, thank you. Well maybe this situation will draw to light the need to have a very co-ordinated effort. A young lady purchased a vehicle with both body integrity inspection and light vehicle certification of inspection certificates available to her upon purchasing the vehicle. The vehicle then on the way home blew a tire. They took it to a recognized automobile repair shop for that particular make and model, that being a Volkswagen, and it was driven to European Auto in Brandon for this repair to the blown tire.

At that time, when it was placed upon the hoist, it was abundantly obvious to the mechanic in charge that this vehicle should not have returned to the roadway. It was a vehicle that in fact had been written off by Autopac and then repaired, obviously to a point where this particular inspection station could give this body integrity inspection certificate, but it should never have happened. So therefore this young lady is sitting there now with a vehicle that she can certainly take from the compound of European Auto. However, this vehicle has now been licensed by MPI, registered and insurance provided by Manitoba Public Insurance Corpora-

tion through the registration fee that she paid here. Because she had the two certificates in hand and it says Manitoba Public Insurance all-purpose insurance afforded this particular vehicle.

So this lady is in a quandary. She worked many nights babysitting, many nights at the local diner, accumulating dollars to purchase her first vehicle and thought she did everything right. Now the Motor Vehicle Branch has in fact been contacted and an investigation launched. Lo and behold, Unibody Collision Centre, who was the issuer of the body integrity inspection certificate, is no longer a station. What is this young lady to do? There is no recourse. There is no opportunity for her to essentially drive this vehicle because the vehicle should have never been put back on the road in the first place. Everyone seems to be giving this young lady the runaround. To be very honest, who is going to take responsibility for this particular situation? I present this scenario to the Minister. What in fact is she to do?

Mr. Zacharias: Just for clarification, what vehicles can be registered and what inspection services exist is under the control and authority of the registrar. Once the registrar says this is a vehicle that can be registered in Manitoba, as the compulsory insurance we have to provide insurance to that vehicle. So I certainly sympathize with the situation that you are talking about, as far as an owner may be caught in a bad situation because someone has fraudulently signed some paper or something of that nature. But that is not something that we, in any way, are in charge of or in control of. It is a totally separate act, a separate piece of legislation, and I certainly cannot speak for the Department of Highways and what action they may or may not want to take or what may have occurred since that point in time.

Mr. Faurshou: Again, we come back to the point, back to if both departments were one this particular buck passing may not be taking place. But nevertheless, this young lady has in fact registered and insured a vehicle which Autopac previously wrote off. The recourse she has is essentially to try and garner legal assistance in which to take the individual to court, again being lengthy and demanding additional funds pro-

hibitive for her to do. In fact her legal counsel, upon having the free consultation that they do, has stated that chances of recouping any monies at all are remote and in fact even if they are successful in the charge of fraudulent issuance of the inspection, chances are that the dollars to take this to court will be consumed in greater number than the vehicle is worth.

So she took stock and believed in the process and the process has left her very much wanting here. I am gravely concerned that a vehicle that has been written off returns to the roadway under, in this case, a fraudulent situation, and in fact there is no bond to the individuals that are responsible for providing the body integrity inspections, that someone can be left without recourse, of no cost, which it should be, no cost to the individual because there should be some part of the process here that should stand up and effectively be accounted for.

I would like the Minister's response in this particular situation because right now the individual is really—this is a young lady that through no fault of her own has been caught in this particular situation. I would appreciate the Minister's response.

Ms. Barrett: Yes, I have a response. I would also like to ask the Member if he anticipates being able to pass this document by noon.

Some Honourable Members: Agreed.

Ms. Barrett: In response to the Member's comments, several years ago the former government scrapped the policy which was in place where the Government itself would inspect vehicles and ensure that they were roadworthy. All inspections were done by the government civil servants before the former government, of which the party the Member represents, made changes and allowed the private companies to come in and do this.

It would not have happened under the former system, I would suggest. The current situation that the Member is talking about, whether Manitoba Public Insurance or the Department of Highways is in control of investigating and monitoring and improving vehicles road safety would not matter. What has to

happen, and the Member referred to this as the bonding process, we have to ensure that whoever does the inspections is held responsible and accountable.

So it does not matter in this particular situation whether MPI was in charge or the Department of Highways was in charge, as they currently are. It would not have any difference on the outcome here. What has to happen is accountability has to take place. Frankly, I will end my comments by saying if we still were in charge of vehicle inspections this would not have happened.

Mr. Faurshou: Madam Chairperson, by the Minister's commentary here this morning, is it her intention then to return the body integrity inspections certificate responsibilities to government employees? Is that what she is stating here this morning?

Ms. Barrett: No, it is not what I am stating here. I am just stating for the record what the situation was several years ago and the changes that took place. I would suggest, and I cannot of course guarantee, but had there been government inspections and government responsibility the situation of a company that could do this inspection, this faulty inspection, and then not be held accountable because they no longer exist would not have happened. We have not had any discussions as government about reversing the current situation. As I said, we do need to talk about issues that will hold companies and businesses accountable.

The basic bottom line is that it does not matter who had charge. Whether it would have been MPI or DDVL, it would not have mattered in this situation.

* (11:50)

Mr. Faurshou: So the question still is wanting for an answer. The Minister now is in charge of this particular situation where an MPI-written-off vehicle has returned to the roadway under a fraudulent situation. What is the intent or how do we resolve this particular situation so that it does not occur again?

Ms. Barrett: I am not responsible. This is the Department of Highways' responsibility. I would

suggest that the Member, I do not know what the Member has done in regard to this, but I would suggest that he contact the Minister of Highways if he has not already done so. If he has done so it may be that the only recourse, because the company is no longer in existence, is through the legal situation at this point.

Mr. Faurichou: Madam Chairperson, I think the Minister just alluded to the exact way this has been going for this young lady, from one office to another office. But essentially under your responsibility you have ended up providing insurance to a vehicle that you should never have provided insurance to. This is the situation that you are faced with, and I think the Minister has to have some type of mechanism to prevent this from happening.

Ms. Barrett: By law, MPI was required to issue a registration to this vehicle because the vehicle had passed inspection by a duly authorized body shop or company, whatever the company was. We had no options, sir, but to issue the registration. Subsequently, I understand the company went out of business or no longer exists, but this is the situation that exists when you remove a program from the public service where there was no profit margin to be made, there is no requirement that you skim perhaps or you do not do a 100% job. You may not have done the complete work-up on the car and said you did. Unfortunately, this individual is now having to pay the price of that misguided decision several years ago.

I would like to just conclude my comments by saying to the Member I am not attempting to pass the buck, as he is saying. Every government department and every government entity or crown corporation, in this case, has their own sphere of influence, their own regulations, their own elements that they are responsible for. I am merely pointing out who is responsible in this particular situation and the fact is MPI acted in the only way it could according to legislation because this car had a duly authorized safety inspection done on it.

Mr. Faurichou: Regardless of the obligations as prescribed by law, a vehicle was insured that should not have been insured. Everyone is recognizing that. The only person who seems to

be paying the price is a young girl who saved all the money she possibly could to buy her first vehicle to get her around, and she is without.

In regard to another particular situation, a vehicle that I would like to ask the Corporation's view on as we appreciate the senior citizens and others who are incapacitated and have had to resort to motorized scooters for their conveyance to and from destinations. There is a much greater frequency of use of these motorized scooters, and just in regard to their usage, how are they handled by the Corporation? Are they not recognized as motorized vehicles?

Madam Chairperson, I am informed that the hour is approaching 12 noon and this committee has some reports that need to be dealt with prior to the adjournment, so I would like to yield the floor at this point of time to my Honourable colleague from Carman (Mr. Rocan).

Mr. Denis Rocan (Carman): First of all, I would like to thank the Member from Portage La Prairie (Mr. Faurichou) for giving us this opportunity. I understand this morning that we were also considering dealing with Workers Compensation Board. There are two five-year plans, 1998 to 2003, 1998 to 2002. The 1999 Appeal Commission Annual Report and the 1999 Annual Report for the Workers Compensation Board have been on the book, I believe, for a long time.

So I would be asking is there leave of the Committee, if we so choose, to clear these off the books, to pass them? We on this side of the House are willing to pass them. Individuals all mentioned in here, in the work they have done, and we believe that they have done great diligence on behalf of the people of the province. Therefore, we would just be willing to pass these books if the Committee would so choose. I would ask Madam Minister if she would be willing to allow this to happen.

Madam Chairperson: Mr. Rocan wishes to pass the four reports. Is it the will of the Committee? Is it the will of the Committee to pass the four reports? *[Agreed]*

There is no opening statement by either the Minister or the critic at this time. Hearing there

is none, then the four reports are passed. It is necessary to read this into the record.

Annual Report of the Workers Compensation Board for the year ended December 31, 1999—pass.

Annual Report of the Appeal Commission for the year ended December 31, 1999—pass.

Workers Compensation Board 1998 Five-Year Operating Plan—pass; Workers Compen-

sation Board 1999 Five-Year Operating Plan—pass.

Shall the February 29, 2000, Annual Report of the Manitoba Public Insurance Corporation pass?

An Honourable Member: No.

Madam Chairperson: It is not passed then. The hour being 12 noon, the Committee rises.

COMMITTEE ROSE AT: 12 p.m.