

Second Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Daryl Reid
Constituency of Transcona

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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AGLUGUB, Cris	The Maples	N.D.P.
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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON CROWN CORPORATIONS

Friday, February 20, 2004

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Daryl Reid (Transcona)

**VICE-CHAIRPERSON – Ms. Theresa Oswald
(Seine River)**

ATTENDANCE – 11 – QUORUM – 6

Members of the Committee present:

Messrs. Cummings, Eichler, Faurichou,
Maloway, Martindale

Substitutions:

Mr. Loewen for Mrs. Mitchelson
Ms. Korzeniowski for Mr. Dewar
Ms. Oswald for Hon. Ms. Allan
Hon. Mr. Mackintosh for Hon. Mr. Sale
Mr. Schellenberg for Mr. Altemeyer
Mr. Jha for Mr. Reid

APPEARING:

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

Mr. Kevin Lamoureux, Member for Inkster

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Public Insurance Corporation for the year ended February 28, 2001

Annual Report of the Manitoba Public Insurance Corporation for the year ended February 28, 2002

Annual Report of the Manitoba Public Insurance Corporation for the year ended February 28, 2003

* * *

Mr. Chairperson: Good morning, everyone. Will the Standing Committee on Crown Corporations please come to order.

Before we proceed with other business, we need to deal with some of the committee resignations and substitutions.

Committee Substitutions

Mr. Chairperson: I have before me the resignation of Mrs. Mitchelson from this committee, effective immediately. Are there any nominations to replace Mrs. Mitchelson?

Mr. David Faurichou (Portage la Prairie): I would like to nominate the honourable Member for Fort Whyte (Mr. Loewen), please.

Mr. Chairperson: Mr. Loewen. Is it agreed that Mr. Loewen be a member of this committee? *[Agreed]*

I have before me the resignation of Mr. Dewar from this committee, effective immediately. Are there any nominations to replace Mr. Dewar?

Mr. Jim Maloway (Elmwood): Mr. Chairman, I would like to nominate Ms. Korzeniowski.

Mr. Chairperson: Ms. Korzeniowski has been nominated. Is that agreed? *[Agreed]*

I have before me the resignation of Ms. Allan from this committee, effective immediately. Are there any nominations to replace Ms. Allan?

Mr. Maloway: Mr. Chairman, I would like to nominate Ms. Oswald.

Mr. Chairperson: Ms. Oswald has been nominated. Is that agreed? *[Agreed]*

I have before me the resignation of the Honourable Mr. Sale from this committee, effective immediately. Are there any nominations to replace the Honourable Mr. Sale?

Mr. Maloway: Mr. Chairman, I would like to nominate Mr. Mackintosh.

Mr. Chairperson: The Honourable Mr. Mackintosh has been nominated. Is that agreed? *[Agreed]*

I have before me the resignation of Mr. Altemeyer from this committee, effective immediately. Are there any nominations to replace Mr. Altemeyer?

Mr. Maloway: Mr. Chairman, I would like to nominate Mr. Schellenberg.

Mr. Chairperson: Mr. Schellenberg has been nominated. Is that agreed? *[Agreed]*

We must now proceed to elect a Vice-Chairperson. Are there any nominations for the position of Vice-Chairperson?

Mr. Maloway: Mr. Chairman, I would like to nominate Ms. Oswald.

Mr. Chairperson: Ms. Oswald has been nominated as the Vice-Chairperson. Are there any further nominations? *[Agreed]*

Ms. Oswald, you are the Vice-Chairperson of this committee.

I also have a further resignation from this committee. I wish to resign as the Chairperson of the Standing Committee on Crown Corporations, effective immediately, only as the Chairperson, as a member of this committee.

Madam Vice-Chairperson in the Chair

Mr. Maloway: I would nominate Mr. Martindale.

Madam Vice-Chairperson: We now have a vacancy for the position of Chairperson. Are there any nominations?

Mr. Maloway: I would like to nominate Mr. Martindale.

Madam Vice-Chairperson: Mr. Martindale has been nominated. Are there any further nominations? Seeing none, Mr. Martindale has been appointed Chairperson. Mr. Martindale, would you please take the Chair.

Mr. Chairperson in the Chair

* * *

Mr. Chairperson: This meeting has been called to consider the Annual Reports of the Manitoba Public Insurance Corporation, for the years ended February 28, 2001, 2002 and 2003. Are there any suggestions from the committee as to how long we should sit this morning?

Mr. Maloway: Mr. Chairman, I would recommend noon.

Mr. Chairperson: It has been recommended noon.

Mr. Glen Cummings (Ste. Rose): We would agree, if the member would also agree, that we would review where we are at the noon hour and perhaps consider an extension at that time, if necessary. *[Agreed]*

Mr. Chairperson: Are there any suggestions as to the order in which we should consider the reports?

Mr. Faurshou: I would like to see, as past practice, a global discussion of the reports before us rather than a specific order.

Mr. Chairperson: It has been suggested that there be a global discussion. *[Agreed]*

Does the honourable minister wish to make an opening statement?

* (10:10)

Hon. Gord Mackintosh (Minister charged with the administration of The Manitoba Public Insurance Corporation Act): Joining me today are several members of the corporation's board and executive including Chair Shari Decter Hirst at the table; also at the table, President and CEO Jack Zacharias. Also with us today is Vice-President of Corporate Claim, Wilf Bedard; Vice-President of Corporate Legal, General Counsel and Corporate Secretary, Kevin McCulloch; and John Douglas, Vice-President, Corporate Public Affairs; as well as the Director, Finance, and Corporate Controller, Peter Dyck.

I welcome the opportunity to preface our review of the reports with some general remarks. These

annual reports reflect the ongoing financial stability of the Manitoba Public Insurance Corporation in the face of what, I think, we all can conclude are major insurance challenges worldwide. At the same time, these reports clearly and concretely demonstrate the value that this company brings to the people of Manitoba.

As we all are increasingly aware, over the last year or two, consumers and governments in Canada have turned to Manitoba as a model that provides consumers with the best insurance value in the country.

Study after study shows that for similar coverage, which is an important factor in the comparisons, no province offers a better price. Consumers of Manitoba Public Insurance receive vehicle damage coverage and injury protection that is virtually unmatched in Canada, including unlimited medical and rehabilitation treatment and income replacement for life if they cannot work. For this, they pay premiums that independent studies show are almost always the lowest in Canada.

Motorists in private insurance jurisdictions across the country face appalling premium increases, averaging about 25 percent, but ranging as high as 70 percent. In Manitoba, after five years of holding the line on insurance rates, Manitobans now face their first increase in 2004. In this province, however, the debate was whether the increase was 2.5 percent or 3.5 percent, not 20 percent or 25 percent or perhaps more. Indeed, as members are acutely aware, this has become a significant, if not determining, political issue in some recent elections in the country.

Statistics Canada recently found that our low auto insurance rates were a significant factor contributing to Manitoba's low inflation rate in calendar 2003. In 2003, the Manitoba Consumer Price Index increased by 1.8 percent over the '02 level, the lowest increase of any province for the second year in a row. The national inflation rate rose 2.8 percent.

While these premiums across Canada increased nationally by 22.1 percent last year, StatsCanada showed that Manitoba had almost no premium increase in '03, at actually 0.3 percent. By contrast, motorists in Alberta experienced increases of 33.8 percent, while in Newfoundland and Labrador, they were paying on average 32.8 percent more.

In Manitoba, motorists paid in 2003, on average, close to what they paid in 1999 for insurance. When they do get in an accident, they do not have to think twice about making a claim. In other provinces, merely submitting a claim for an accident in which you were not at fault virtually guarantees that your premiums will rise; it may even jeopardize your ability to obtain coverage, find a carrier.

Throughout the rest of Canada, governments have attempted to improve the profitability of insurance companies at the expense of customers. In most cases, provincial governments have reduced coverage, in effect forcing consumers to pay more for less coverage. In Manitoba, we understand that automobiles are inherently risky and that they are also an absolute necessity in modern society. We believe it is a right to file a claim, benefits you receive are predictable and guaranteed and you do not have to go to court to get them.

How does Manitoba Public Insurance manage this? By remaining focussed on the purpose that the corporation was created for and adhering to its founding objectives, including, notably, Manitoba Public Insurance had to offer compulsory universal vehicle insurance, guaranteeing all Manitobans access to auto insurance as they enjoy today.

Secondly, the new company would return at least 85 cents on every premium dollar back to Manitobans in the form of claims payments. In recent years, Manitoba Public Insurance has returned well over 90 percent of premiums to Manitobans in claim benefits.

Thirdly, Manitoba Public Insurance was also expected to operate at lower costs than private companies. Today, the company's goal, which it has regularly achieved, is to maintain operating costs at 50 percent of the Canadian industry average.

Fourthly, it has also been mandated to offer insurance at lower rates than private insurers, which the company has done each year for several years now. At the same time, it was expected to provide coverage that is comparable, if not superior, to that offered in other provinces. Again, the coverage Manitoba Public Insurance provides is, indeed, superior to that offered in virtually any other province.

Further, the company had to streamline the claims process making it convenient and easy to

access. Today, customer service standards tell us that Manitobans receive the best service possible. The company had to invest substantially in this province and earn a yield comparable with that earned by private insurers.

Since 1971, the company has invested over \$1.6 billion within Manitoba, largely in community-based bonds and debentures to support local infrastructure and capital projects. That is a point, I think, that often does not get the recognition publicly that it should. That is a very important role which the public insurance corporation provides for the greater good in this province.

Finally, Manitoba Public Insurance remains committed to its founding objective of pursuing traffic safety programs, with emphasis on key issues such as drinking and driving, speeding, seatbelt and child seat use. The success of our public auto insurer in continuing to meet these founding objectives is all the more significant at a time when other jurisdictions are experiencing double-digit rate increases.

MPI can offer both superior coverage and lower rates because it sells insurance at cost. Its bottom line is to break even, over time, not to make a profit. Unlike private insurance companies, Manitoba Public Insurance invests its premium holdings primarily in Manitoba-based bonds. Every cent of income from these investments goes to reduce the cost of each premium.

As I suggested earlier, Manitobans have access to the most comprehensive auto insurance coverage in Canada, including unlimited medical and rehabilitative treatment if they need it and income-replacement for life if they cannot work. In most cases, the benefits are indexed to inflation. Ironically, over the past 30 years, while benefits have been enhanced, the average cost of auto insurance in this province has increased at a rate lower than inflation. The company has been able to do this because it has kept its operating costs well below the Canadian industry averages we spoke about earlier.

As well as providing value by offering excellent coverage at low rates, Manitoba Public Insurance makes a major, ongoing, reliable contribution to the provincial economy. Some of this is by virtue of employing 1300 staff at 22 locations across the province and, as I mentioned, the investment of \$1.6-billion in a variety of community-based bonds and debentures,

in schools, health care institutions and municipal projects.

In July '03, the Manitoba Bureau of Statistics completed a study of Manitoba Public Insurance's impact on the economy that illustrates the substantial economic benefits public insurance provides. Using the company's financial records from '01-02, the study found MPI's expenditures of about \$618 million for that year added about \$627 million to Manitoba's gross domestic product of \$34 billion through economic multiplying. The company's contribution to GDP had a major impact on employment, resulting in over 10 000 jobs for Manitoba's economy and over \$351 million in labour income.

Through its expenditures, Manitoba Public Insurance also generated \$187 million in tax revenue for the three levels of government, distributed as follows: \$87 million in provincial taxes, \$19 million in local taxes, \$81 million in federal taxes. The Bureau's study concludes that Manitoba Public Insurance "is a unique organization in the context of the provincial economy."

The Government, certainly, believes our public auto insurer is a unique organization, and one worthy of protection against privatization, which is why we introduced legislation to clearly state that no such action could be taken by a government without a referendum.

I just want to briefly touch upon a few other highlights from the most recent annual report that may be of interest to committee members and to Manitobans. In fiscal '02, the corporation's 22 claims centres handled more than 913 claims every working day. The company paid \$2 million in claims benefits every working day. Claims costs rose 6.2 percent to \$534,594,000 from \$503,089,000 while the average cost per claim rose 11 percent to \$2,352.

Manitobans continue to benefit from the company's investment of customers' premiums. Investment income in '02 of \$52.8 million reduced each premium by \$9. Total earned revenues in fiscal '02 at \$635 million were \$53 million better than the previous year. Cash and investments were just under \$1.3 billion, an 8% increase from the previous year.

MPI's basic rate stabilization reserve, as of February 28, '03, stood at \$35.4 million. This RSR

protects customers from sudden and dramatic premium increases resulting from unforeseen events, such as periods of severe weather. Fiscal '02 was a year that, as in '01, demonstrated the wisdom of creating the rate stabilization reserve. This reserve allowed the company to adjust its business plan and account for unexpected claims increases and broader economic trends, while limiting its need for additional premium revenue to a marginal rate increase from customers.

(10:20)

As a publicly operated insurer, the company remains committed to breaking even over the long term, while providing the kind of excellence and convenience in customer service that Manitobans have come to expect. The corporation believes that it is in a strong financial position to hit this target, which it continues to work towards.

Besides using RSR funds and seeking additional premium revenue to maintain fiscal stability, MPI can also direct its attention to the other side of the ledger by controlling claims costs. The company has seen considerable success in this area. In fiscal '02, for example, the corporation saved an estimated \$10-million through the use of recycled, certified vehicle parts. On behalf of its ratepayers, MPI also saved nearly \$15million through its antifraud, anti-crime and subrogation activities.

Further, the corporation continues to invest in road safety and improve the driving skills of motorists throughout Manitoba. This includes expanding Manitoba's valued driver education program into more communities than ever before and ensuring that students get the proper skills before they get behind the wheel.

The corporation and I are now ready for any questions members of the committee may have.

Mr. Chairperson: Before I ask for an opening statement from the opposition critic, I have a procedural matter to take care of, and that is to nominate.

Are there any nominations to replace Mr. Reid?

Mr. Maloway: Mr. Chairman, I would like to nominate Mr. Jha.

Mr. Chairperson: Mr. Jha has been nominated. Are there any further nominations?

Is that agreed? *[Agreed]*

Opening statement from Mr. Faurischou.

Mr. Faurischou: I do not have any formal opening remarks. I would appreciate if we had the opportunity for all committee members on this side of the table to question the corporation personnel as well as board chair here this morning. So I would like to now, at this time, turn the mike over to a colleague, Mr. Cummings.

Mr. Chairperson: I am advised that normally there is only one opening statement, so I will ask Mr. Cummings to save his comments for the questions.

Mr. Cummings, with a question.

Mr. Cummings: We are anxious to get into some questioning to get a little bit more understanding of where the corporation has been and where it is going. The minister has been reading quite a few of his own press releases in the statement that he just released. That is a glowing opening statement.

The question that flows from that is I am looking at a report from the *Fraser Forum* that disputes the fact that we do appropriate measurements in terms of how rates are compared to other jurisdictions, and I just wonder if there is anyone who would care to refute the comments that were made here. Without the specifics, how do we substantiate that we are indeed the lowest and most competitive? There is a lobbed ball for you.

Mr. Chairperson: Before I recognize Mr. Zacharias. Do you have an opening statement for the committee?

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

Mr. Chairperson: Mr. Zacharias, to answer the question.

Mr. Zacharias: Yes, we looked at that Fraser review with interest, and admired their creativity. What they say, basically, is if you take away all the advantages of a Crown, and add in some other assumptions that they have, they could find a way that our insurance deal is not as good as what private is offering.

A lot of assumptions they make and, certainly, with some big flaws. At the end of the day, if you look at what money is collected, and what benefit goes back to the customers, there is no company that is turning back more of the premium dollar than we are. There is no company, private or public in Canada, that is using less of the premium dollars, with respect to running the company, than we are. So it does not matter who owns it, how it is set up, there is nobody providing better value. Consequently, there is just no validity to the conclusions they reach.

One of the things they have said, they have done some of those calculations on the basis that we would have to carry some huge number in reserves, as private companies are required to do. The reason private companies have to do that is because if they run into some bad years and have to up their premiums significantly to cover their claims costs they risk the fact that the customers could all flee and run to somebody else, leaving them holding the bag with the huge losses.

The solvency issue drives huge reserve requirements. In a Crown corporation such as ours that is not an issue because people are not going to flee anywhere else. We have the ability to leave the \$10 in your pocket until we need it rather than collecting a bunch of money up front and keeping it on hand. The RSR is only a fraction of what private companies would be required. I think it is prudent that we have some money for rate stabilization.

I think the article also goes on to say that since governments in most provinces with private insurance have turned back or forced the rollback of premiums that they are better than we are because they are seeing premium decreases when Manitoba is not. But again, if you look at what they are paying to start with, if they are paying three grand to start with, and we are paying a thousand, they can do an awful lot of 10-20% rollbacks, and do that for years before they will get down to our numbers.

So, certainly, I do not think it is unbiased. I do not think it has a lot of validity, and if you look at some of their other reports, I guess we should actually all be in jail.

Mr. Cummings: When personal injury protection was introduced there were a lot of comparisons to Québec. At that time, there was a known amount per

customer carried or per vehicle insured, probably more accurate to say, that was allocated to personal injury protection. I know they have a slightly different system.

The minister talks about wanting to protect against sale, but my question is twofold. What do we now, or are we prepared to share now with the public, what the cost per premium on personal injury protection is, and what is the required reserve as recommended by the Public Utilities Board on your RSR?

Mr. Zacharias: The RSR has been set by our board of directors. I believe they have the legislative authority to do that. They have selected a range of \$80 million to \$100 million. The Public Utilities Board has said: No, we think that is too high. We would feel comfortable with a \$50-million to \$80-million range. So there is some dispute as to what it should be. While our board has said 80 to 100, PUB has said we will only give you a rate to support 50 to 80. I guess that is an ongoing discussion that we have year over year when we get there.

With respect to Québec and their plan, yes, what they do, their injury plan, is similar to ours. They collect a certain set amount from each vehicle that is registered, each year, that goes to feed the injury pool. The injury pool then has enough money in it to pay both today's claims and enough to cover the reserves for future claims. I am not aware of them having any kind of level of what we would call RSR or retained earnings. Again, it is a monopoly situation where if the costs go up they charge the customers more. There is no fear of all the Québeckers fleeing Québec. So they have a taxing power like a Crown and adjust the price each year as they see fit.

Mr. Cummings: I am interested and, I think, it would be useful, in terms of analysis, of how personal injury protection has moved forward. As I recall, in the mid-nineties Québec was somewhere between \$150 and \$180 per premium that was considered the personal injury protection number. Do we have a number in Manitoba?

* (10:30)

Mr. Zacharias: We have not broken it out that way, but, certainly, I think if you look at 800 000 insured units and a little over \$100 million or so in PIPP

costs each year, you are getting into a price that is a little more than \$100 a vehicle, which would be not that out of touch, but that is very high-level ballpark. We do not break out our premium that way because we have had the one premium for the comprehensive coverage that we provide, which includes the collision, comp, or the all perils and the injury. So we have not done our accounting the same way.

I guess it would not be a huge leap to, again, take the number of vehicles registered and the total dollars that in one year go toward the injury program and say what does that average out to.

A pretty simplistic way of doing a comparison but we would be pretty close to the same ballpark as Québec.

Mr. Cummings: That leads me to another question. In the 2002 report, page 15, there is a reference and there is a qualifier in here. It talks about lifetime limits on medical, rehabilitative or personal care. Lifetime may not be the issue but there are limits on personal care—[interjection] Yes, well, or on portions of the system. I accept my full share of responsibility for that being there, going back to the mid-nineties, but is that still a relevant limitation?

We took a lot of examples of leadership from the Québec program. That is why I am interested in what our cost per vehicle insured or per customer might be, as much as if that is a reasonable level. Then, part of the review that I thought was never fully addressed was what some of the benefits that were allocated, how they were limited or whether they needed to be revised, as opposed to returning some element of tort to the system.

I wonder if either the minister or Mr. Zacharias would like to comment on the review of some of those limitations.

Mr. Zacharias: Some of those limits or, I guess, all the limits were reviewed after the program was in place for three years with the Uskiw commission that looked at it and made some recommendations. Many of the limits have changed.

Limits, with respect to funerals, have changed. Most of the limits are indexed so that they grow each year simply as they get older, based on inflation. Some new limits have been added with respect to grief counselling and some other things.

When we get into the home care provision itself, I think, we need to take a little more global look at what is available for Manitobans and how are they handled or treated when they are involved in an auto accident versus falling off a ladder at home or Workers Comp or something of that nature.

In Manitoba, no matter which of the programs we look at, we have Manitobans paying for services provided to other Manitobans. If I fell somewhere in my dwelling, or of my own volition slipped and fell and ended up grossly injured, there is a certain level of care that is provided to Manitobans. There is a standard procedure that Manitoba Health goes through with respect to what care is required. What do you qualify for and what do you not qualify for? Then that level of benefit is provided.

In auto accidents, we pay roughly \$3,700 per month, which would be the first portion of that benefit, and the rest would be provided through Manitoba Health. If you are injured in a worker accident, Workers Comp uses the same measurements and grids as Manitoba Health to determine a level of benefit that those people require, and then that is compensated. The same thing would happen if it was a non-auto accident. You would be determined by the same grids as the level of care that you require, and receive that.

No matter how you are injured in Manitoba, the total benefits under the home care plan that the people receive are uniformly set and uniformly applied using the same grid. So there is no disadvantage with respect to our plan or any limit on the plan.

It is a matter of how it is funded, in that, we pay a portion of it when it is an auto accident, and Manitoba Health would pay the full portion if it is non-auto or non-worker, and Workers Comp would pick up their share, but, certainly, people hurt in Manitoba requiring a high level of care get that.

Mr. Cummings: Well, the way you explained, it seems to reflect an ongoing reasonable relationship. Who has the last call on decisions?

Mr. Zacharias: Manitoba Health would do the evaluation and determine the level of care that is required. They would make that determination.

Mr. Cummings: If I recall correctly, at one time, before personal injury protection, there used to be a

flow of monies back and forth between the corporation and Manitoba Health that was, sort of, quite complicated, obviously, but was accepted as a historic fact, as I recall. Are there any other aspects to that that are still alive, or has that agreement been replaced?

Mr. Zacharias: This has always been a close relationship in that people hurt in auto accidents in Manitoba have always gone to Manitoba Health as the first payer. Manitoba Health determines how long they need to stay in hospital, what medical services they require, what specialists they require and things of that nature. We do not interfere with that.

In prior days, prior to the no-fault program introduced in '94, Manitoba Health then had recovery rights where another Manitoba motorist was responsible for the accident, so that if I bumped into your car and you were hurt, you would get treatment from Manitoba Health, and Manitoba Health would then recover whatever treatment they paid for you from my third-party insurance.

In '94, with the introduction of no-fault, that ceased, but part of the introduction was that Manitoba Health and MPI would enter into an agreement so that we would continue to flow funds to Manitoba Health in an amount equal to what they used to collect under the tort system, so that neither of our organizations would be advantaged or disadvantaged with the introduction of the no-fault program.

So, at that point, we worked out an agreement with Manitoba Health based on historical, how much they had been able to recover. Part of that agreement involved making it sensitive to frequency of injuries. As injuries go up, then they get more; if injuries go down, they get less. It has also worked based on the medical index, the cost of medical services, whether that is going up or down.

So to this day that agreement still exists, and we, on a quarterly basis, transfer funds to Manitoba Health to keep them whole, based on what they would have been receiving had the no-fault plan never been introduced.

Mr. Faurichou: In regard to home care, I had raised at a previous time about what is considered within the points system as to how much is allocated. Have you reviewed that? I cited the example of the elderly

individual in an accident, upper torso bruising, sat in the dark for days because there was no one to change the light bulb, and the home care came and went during the day. So he rose, as well as retired to sleep, with the sun. Has there been a review of qualifiers when we are evaluating for home care?

* (10:40)

Mr. Zacharias: I am pleased to say that there has been a very thorough review of the whole grid as to when people would qualify, and for what points they qualify, and how much care they get. We have retained some experts in the field to do this for us. We have worked with a number of the local rehab institutions outside of MPI, as well as our own specialists to come up with a revised grid that is very easily understood and is a simple application where, basically, it deals with how many minutes or hours a day people need help, and takes into account a much wider range of services than was previously offered.

That is now being field tested. The results are coming back excellent. Certainly, from the feedback we are getting now in the focus groups we have held with customers, with service providers and our staff, we think we have a much more modern and better way of determining this. That will be coming into regulation shortly.

Mr. Cummings: So, given what you just said and earlier, you are satisfied with the relationship between the corporation and Manitoba Health, and the fair and appropriate appropriation of the costs.

Does the corporation have any way of appealing and/or speaking out on behalf of their clients when they are dealing with issues related to WRHA or Manitoba Health?

Mr. Zacharias: One of the things I like about the current system is there is consistency for Manitobans. It does not matter how they were hurt or where they were hurt. The level of care is consistent.

I guess one of the dangers that comes in is, if we are all doing our own thing, you could have a person injured and getting benefits from Workers Comp, getting a much different treatment from someone in an auto accident, than someone off the street. I think it is easy to say there needs to be some consistency and this provides it.

What does happen, in practical terms, is that our people meet with the Manitoba WRHA people,

Manitoba Health people, and talk and, certainly, have some solid exchanges with the injured people, the injured people's families as to what is required, the professionals involved to reach that agreement. That working relationship today is still strong.

Mr. Cummings: I would just like to remind the committee that, in fact, a WCB claim can go to the front of the line, which I cannot do. If I slip on my farm and fall on my head I will wait my turn at whatever services I am seeking, whereas a WCB claimant can, very often, move to the head of the line. So there are some variations that could be placed on that, being a comparison I would submit. I do not, necessarily, need an answer. I just wanted to put that on the record. If Mr. Zacharias wants to answer, that is fine.

Mr. Zacharias: What I was talking about is the evaluation of level of benefits that the catastrophically injured would get. My impression is, certainly, we are all using the same grids and that if Workers Comp were evaluating the level of care required they would be using the same kind of grids and measurements as Manitoba Health would, in our case.

With respect to access to doctors or the issue you speak of, I guess, WCB would have to talk to that.

Mr. John Loewen (Fort Whyte): I would like to switch gears a little bit and talk in a little more detail about some of the financial statistics. Certainly, I appreciate the opening statement. I guess I would say, as a father of four, three of whom are teenagers, I have some appreciation for the good work provided by the folks at MPIC. Enough said.

In any event, I do notice that, over the course of the last three years, from 2001 to 2003 that, basically, your revenue, although you have indicated that fee increases have been minimal, your revenue has been driven up in the order of 20 percent.

Could you give me some indication is that just more drivers on the road, more autos on the road. Give the committee a little more detail in terms of how you have been able to drive your revenue up by over \$100 million.

Mr. Zacharias: It comes from several things. One is upgrading. Every time you trade in your old car and replace it with a newer one, the premium attached to it will usually reflect the increased value and the

increased risks that you bring to the table. That generates extra revenue for the corporation.

What we do see is, on an annual basis, or at least for the last several years, when car sales have been strong we have come close to a 5-6% growth in premium revenue, simply from upgrading. That is one source of revenue.

We do, on the other hand, get newer cars into the fleet, which means we have more exposure, so a greater risk as well and greater repair costs.

The other thing that comes in is growth in the fleet, in that we have seen about a 1.5% growth in the number of vehicles registered in Manitoba for each of the last several years.

The third part comes from selling more product. If you have renewed in the last year or two, you were probably offered loss of use coverage, maybe some rental car coverage, and a few other products. We are, today, selling a lot more product than we did. We also find that the number of people buying down the deductibles has increased significantly. Again that provides more revenue.

It is basically three things: upgrading, increase in the size of the fleet and selling more product.

Mr. Loewen: Thank you. I appreciate the details of that explanation.

What I see from a financial perspective that, I think, you indicated in your answer to the previous question, perhaps a far more disturbing trend, is the significant increase of about 33 percent—I am just doing these numbers quick in my head—with regard to the claim expense, which, I think, would indicate to me there is maybe some real significant exposure, in terms of the upgrading of the fleet. Yes, you are able to generate more revenue, but, obviously, your claims expense is increasing very, very dramatically.

Can you give us some indication, in terms of going into the future, what effect that is going to have on the corporation?

For example, if for some reason there is a significant downturn in the economy and people decide they have enough debt and stop buying new cars, presumably the exposure is still there.

Mr. Zacharias: The growth comes from two things. One is claiming frequency. Manitobans love to claim. I think we heard that from the minister, in that the frequency with which Manitobans filed claims is at least one and a half, if not double the national average. There is no fear that your policy is going to get cancelled. You are not going to be faced with a huge surcharge in most cases. So we do see a lot of small claims coming through.

* (10:50)

We monitor that on a regular basis. We have, as you know, on a few occasions in the past changed deductibles to try and address that. That is one source of increased claims cost that we look at. Parts pricing and the number of vehicles that are damaged by collision and what happens there, both from the labour rate, the engineering side, more airbags that need to be replaced, and often they may save you injury dollars but really add to the vehicle repair costs, so we have done some very sophisticated long-term forecasting on parts costs, labour costs, how we can offset some of those with used parts, recycled parts and things of that nature. Then we have injury claims. We do know that our injury pattern, how many fatalities there should be, how many brain injuries, how many quadriplegics, paraplegics and things of that nature, when you have a 30-year history you can plot your averages pretty solidly.

What we have seen in the last couple of years is a significant increase in the number of serious injuries. This is maybe people that at one point might have died in an accident. Because of the multiple airbags and crush areas, people are now with us following the accident, but they are requiring some significant dollars in long-term care.

So we have made sure that we have got strong reserves to look after those cases as we go forward. So, between a growth in claims volume, some normal increases that we see coming through on the collision side, and the injury claims dollars that have gone in to support the program in the long run, yes, it does drive up the total number of dollars.

But, again, our long-term forecasts, which receive scrutiny penny by penny at the Public Utilities Board, have withstood the test of time and we have, actually, got a very solid track record on past history on forecasts.

We still, to this day, say that with the expected increased growth in premium and the increased cost in claims, we have a very close match. I would be very sorely disappointed if, in the next 10 years, we could not again say that the average premium increase in Manitoba had been less than the rate of inflation.

Mr. Loewen: In any forecast there are obviously significant risks. Could you indicate to the committee what type of risks you see in that forecast in terms of a reduction in premium or the possibility of reduction in premium?

Mr. Zacharias: I think, rather than a reduction in premium, what you will see is if car sales slow down, you will slow the growth. Instead of getting a 5% growth in premium from upgrading, it may go to 3 percent.

What we have done is look at the economic forecast going forward, too, and the vehicle manufacturers and things of that nature. We have, actually, built—the further out we go, we have reduced our reliance on upgrading, where if we, for next year say, were budgeting at a 4.5% growth for upgrading, the year after that we are at 4 percent, and the year after that we are at 3.5 percent, because we do not think what has happened in the last three years can be sustained in the long term.

So we have taken that into account in our forecasts. The one big variable that we do have there is investment income, in that, if we could only find someone who could give us a four-year guarantee on investment window as to what would happen in equities we might score very well on that. Last year, in fact, that is where we saw some of our variances, because we did not achieve the investment income.

As the total dollars that we are investing keeps growing, and we are now up to \$1.7 billion and will probably reach \$2 billion in the next couple of years, any small change in investment income can have huge financial impacts. That is where, I think, we have to protect ourselves, by being conservative in a forecast.

Mr. Chair, the other thing that we have is big hail claims and, all of a sudden, an unfortunate busload of schoolchildren that something happens to which could have huge dollar costs. On both those

fronts, we buy reinsurance to smooth out our financial results, should that happen to us.

Mr. Loewen: Thank you for that response. I see a disturbing trend, though, in terms of the increase in your claims cost versus the increases in your premium. If it continues on the current track, we see from the financial statements that profits have been turned into losses. If it continues on the same track, it becomes a closer and closer relationship, in terms of your claims losses versus your premiums written, which, obviously, would have a fairly dramatic effect on your bottom line.

Are you expecting in your forecasts that your claim costs will continue to rise at the existing rates that they have? I am looking at basically 33 percent over three years. If you start piling another 33 percent on, over the course of the next three years, we are going to be faced, I think, the corporation is going to be faced with some tough decisions, I would assume.

Mr. Zacharias: The longer term forecasting that we do, and we are, basically, trying to work it on a ten years past and ten years forward kind of thing, so that you can get some longer trend lines and try to understand what has happened in the past. So the growth in claims dollars that we have seen is not a phenomenon in the last three years; it is something that has been going on for a little longer than that.

One of the things that we do each year is normalize. We had more snow this winter than we have had in the last seven, I think it is, and, certainly, the accident volume in January and February reflects that. What we will do is normalize some of that when we are doing our forecasting but always looking at the longer-term trends to account for that. As I mentioned, we did the same thing with injuries, where we have seen in the last two years some significant growth and we have had to adjust some lines going forward.

But, yes, I think when we look at our total projections for revenue and on to the claims side, having had this reviewed by our internal actuaries, external actuaries, our external auditors, the Public Utilities Board, their actuaries and advisors, it has all stood the test of time with tires being kicked. So I feel reasonably comfortable in the scenarios that we have. I do think that, as we go forward each year, the variance from norm, where at one point we might

have expected \$15-million variances as normal fluctuations, as the numbers get bigger that might be closer to a 25 or 30% variance, or a million would be a normal variance per year. But all our numbers going forward are pretty solid. I do not see that there is any need to fear at this point.

Mr. Loewen: Based on that, can you indicate what type of percentages we will be looking at for premium increases that Manitobans will be faced with over the next three or four years?

Mr. Zacharias: The information we filed at the Public Utilities Board when we were going for our '04 rates was that we asked for an increase of 2.5 in '04. We told them that we would come back with a further 2.5 in '05 and a further 2.5 in '06, based on our projections; so that was the kind of numbers we were looking at, which were keeping us at, probably, just below what we might expect inflation to be or pretty close to what we would expect inflation to be.

Mr. Loewen: Thank you. I appreciate that information, significantly higher than the increases we saw in an election year, but I guess no big surprise there.

Mr. Zacharias: We have had one increase now, in the last five to six years, I guess it is, and we recognize that the costs are growing and, certainly, the numbers that you saw on the claims side, we saw those too. We said that, in the long term, we cannot sit flat because we are seeing the increase in claims. So, either we have to be more aggressive in addressing the claims numbers or we need to make sure that we have the revenue to cover that in the long term.

Mr. Loewen: Back to your earlier point, you indicated that it has been your experience that Manitobans tend to claim at about one and a half times the rate of the national average. Would you say that results from our poor driving habits or from too low of deductibles?

*(11:00)

Mr. Zacharias: No, it reflects, I think, the comprehensive coverage that Manitobans have, in that everybody has all-perils coverage. So a huge chunk of this could be glass coverage; it could be vandalism coverage, and things of that nature. So it is not just all collisions.

When you do have a collision, or, first of all, if something does happen to your car, outside of a

collision that you are responsible for, there is no surcharge. So you can bring your claim in and, I guess, I have difficulty on the one hand having a compulsory insurance program that says you have to buy from us, and on the other hand saying do not make claims. So we have to offer that service and make sure that we will have access.

What we also see is that the average cost of a claim here is lower than other areas, so we know we are getting a lot of small claims that in other places people would pay for themselves. In fact, there is a new article out of the Ontario auto body business that only about 40 percent of the work that body shops in Ontario are doing today is paid for by insurance companies. The rest is all being paid privately, and we do not see that here.

Mr. Loewen: Do you have any more specific breakdowns, in terms of what types of claims are driving that number up? Do you know, for a fact, that our glass claims in Manitoba are significantly higher than the national average? I mean, are there specific categories that you can identify or have identified that indicate where the problem may be?

Mr. Zacharias: On the collision side we are seeing a growth of, I guess, if you look at the longer term trends, if you look at the last few months, it is awful. If you look at the longer-term trends, it is not that bad, but I may be able to get some idea here.

Nothing is going down. If you have more cars in Manitoba, and those cars are doing the same as they have always done, you are going to end up with more claims at the end of the year. I do not think there is one specific head of damage. Certainly, you can run into streaks where, in the summertime, you will have the hail claims, which you do not have in wintertime.

You will have glass claims coming through, basically, all year. You have got a few key months for those in the fall. Everybody, after you have done harvest, wants to get their glass claim fixed before the cold weather sets in so it will not spread; so you see a big fluctuation there. Longer term trends, I think, everything is moving ahead a little bit, there is nothing that is backing off, but nothing that is out of whack compared to what you would really expect.

Mr. Loewen: With regard to, other than your claim costs, your expense categories, I notice in 2003 a fairly significant increase in the neighbourhood of \$2

million in your operating costs, which you were able to maintain fairly flat for the previous years. Is that a one-year blip? Is that going to be ongoing costs? Maybe you could give us a little more detail on those increases.

Madam Vice-Chairperson in the Chair

Mr. Zacharias: Yes, certainly, trying to keep our costs relatively flat gives us part of that competitive advantage that we need to maintain to provide the value to Manitobans. Most of our costs are, again, manpower costs. One of the things that we have done, in the last couple of years, is really strengthened our ability in the number of people we have dealing with injury claims.

At one point, we had most of that business on the larger claims focussed in Manitoba. What we have done now is we have put senior case adjusters in most of our rural offices as well, so we can deal with more of the claims in the local communities where the people came from, where they live and where they might want to stay.

We also have a situation where, as the PIPP program matures, each year you have, say, a hundred people that are significantly injured on a long period of disability, and then the next year you get another hundred, and then the third year you get another hundred, we are going to be about 50 years into this program before you start losing the same number of people at the back end, as you are bringing in at the front end.

What we have seen is a growth in the number of significant injury claims that require long-term care. When we look at what goes on in the industry, 50-60 of these cases per individual seems to be: What is a case manager's reasonable workload? We have had to beef up in the injuries side the number of case managers that we have within the organization as well as worked on the distribution of those people throughout the province, rather than centred here. So, if there has been one area of growth in the organization on the people side, it has been to look after the injury claims.

The other thing we have done is, particularly on the driver ed program, we have expanded that to many more communities to try and make it truly a provincial program that covers the north, the south

and the remote areas as well. We have expanded that program. For each kid going through high school driver ed, where they pay \$50, we are paying a little over \$200. If we can increase the number of kids going through there, we have to support the costs associated with that program. That often reflects in vehicles as well.

One of the criticisms of the program has been that there is not enough gravel road training. I share that concern, except the dealers do not want their cars on gravel roads where they are getting nicked up, so we have actually had to resort to trying to move a lot of our corporate vehicles and things of that nature into the high school driver ed program so that we have vehicles available to use in some of the remote areas where we want to run courses.

There has not been one thing that has sort of hit it. Again, recognizing that we have to satisfy PUB and all the interveners that our admin dollars are well spent, we have tried to be very selective in where we have looked for the increased spending.

Mr. Loewen: I am wondering if you would be prepared to share with the committee the costs of the driver's ed program over the course of the last three or four years. I appreciate you may not have them today, but if you could give us that information at a later date.

Mr. Zacharias: I would be going off the top of my head and I know they have expanded as the dollars have, but if we could take that as advisement, I would put it through there. Let me just see if we have the actual—

Mr. Loewen: A later date is fine.

Mr. Zacharias: Yes, I would prefer to have a good look at that.

Mr. Loewen: If we could get it at a later date, that would, certainly, be satisfactory.

With regard to your advertising costs, I have not been able to find any place where they are broken down. Could you give us an indication of how much is spent on advertising in any given year?

Also, at a later date, could you provide us with what has transpired over the course of each of these

annual reports, so we can get a feel for where your advertising dollars are going?

Mr. Zacharias: Yes, I can, certainly, do that. We can get you those numbers. I can tell you they have been pretty stable.

We have looked at, in some earlier years, if you may recall going back even three or four years, where we had a "No one walks away" series, which was a fairly graphic series on TV, of a number of consequential ads. Those were very effective programs but also could be costly at times, so we have looked at, basically, trying to maintain two or three major promotional programs each year, then substituted where we think we can best use those dollars. The total dollars going into that kind of programming has been relatively stable, but we can, certainly, provide you with a year-by-year total as to what we are spending there.

Mr. Chairperson in the Chair

Mr. Loewen: I will appreciate receiving that.

Again, just on your financial statements, it is a disturbing trend that I see that the corporation has been losing money over the last two years. I can understand that may be the result of a government policy forcing you to keep your rates down, which you have managed to do. I guess, I would be more interested in knowing if your projections, based on the rate increases of 2.5 percent per year over the next three years, are going to be enough to allow the corporation to operate on a profitable basis going forward in the years 2004, 2005 and 2006.

* (11:10)

Mr. Zacharias: I guess a couple of things, if I start out with the blue book, which is the 2000 number, the basic insurance rate stabilization reserve and retained earnings totalled \$230 million at the end of '01.

This corporation is supposed to break even, or provide the insurance at cost and break even over the long run. I guess when you look at how much unattached cash should this organization have and, certainly, I spoke earlier about the fact we do not need the same kind of reserves that private companies do, I think there is a point where we start

falling outside of breaking even over the long run by having too much cash in the organization.

With those kinds of dollars coming in what we did is the surplus dividend, as you may recall, where we distributed a lot of those dollars over the next year and in fact did a surplus distribution of about \$96-million, which brought, between the basic Rate Stabilization Reserve and retained earnings, that number down to about \$130 million. Then, if we go into our latest report, between the basic Rate Stabilization Reserve and retained earnings, we are still sitting at \$111 million. So the corporation does have lots of dollars and we are still looking at, we need to have a little more than we are sitting with currently, but at the end of the third quarter report we just released, at that point it looked like we had a surplus of about \$30 million again.

We will probably be adding to that rate stabilization at year-end if the next couple of weeks still work well for us.

What we are doing is trying to manage so we can maintain a Rate Stabilization Reserve that is reasonably healthy without overbuilding. The 2.5% increases I talked about that we had shown to PUB did allow us to maintain a rate stabilization reserve at a reasonable level to guard against the unexpected still. From that point it was still very solid.

Mr. Loewen: When you talk about the rate Reserve Stabilization Fund, will these projections allow you to get back into that range that has been recommended by the Public Utilities Board, I think, of about \$80 million to \$100 million?

Mr. Zacharias: The Public Utilities Board is actually 50 to 80 right now, which we think is low. We are very close to their range, if not right in their range. I think we would feel a little uncomfortable to be at the high end of that or maybe even a little higher. I guess that is a discussion we will have each year at PUB as to whether they want to give us enough rate to get to our number or keep us with their number.

Mr. Loewen: Can you indicate what the approximate cost would be of a significant hailstorm?

Mr. Zacharias: The last big major hailstorm we had, I think it was '96, was \$52 million. When we look at our probable maximum loss from a hailstorm

and we pattern what does a hailstorm look like, and how would it fit over the city of Winnipeg, and what would happen if it occurred during rush hour and things of that nature, it could go higher than that. That is why we buy right now, I think it is about \$150 million at the upper end. So we have basically covered any scenario that we see that hail could deliver to us.

Mr. Loewen: Does the corporation have any significant risk in the reinsurance market left? Is that all taken care of?

Mr. Zacharias: The reinsurance assumed a business that comes back out of the eighties where we were providing insurance to others. That book of business was closed about three years ago. We had a little bit of risk left that we sold to another company. So we have been out of that business. The only reinsurance we do now is what we buy where other companies protect us. When we do buy we make sure we are buying with quality companies. Yes, overnight you can see some of the financial results of those people deteriorate. That is why we have multiple companies on each layer so nobody has a big chunk. The corporation also does maintain a small reserve, about 10 percent of our anticipated future reinsurance recoveries. We retain that as a separate reserve as doubtful collection so that we again have some protection and ability to withstand the shock of having someone who cannot pay us at some point in time, should that need arise.

Mr. Loewen: Thank you, I appreciate that. Certainly, my concern is more on the exposure on the reinsurance side because, as you have learned, it can be very significant. I am pleased to hear that you have been able to eliminate that. Manitobans should not be forced to pay their auto premium based on space shuttles crashing.

The other issue with regard to the premium taxes is basically the way the Government recovers a portion of your, I guess it is based, really, on your revenue as opposed to your income right now.

Has there been any discussion that you are aware of at the board level or with the Government in terms of changes to the premium the Government collects and/or the possibility of the Government looking to the corporation for a dividend?

Mr. Zacharias: The premium tax we pay is the same as what Royal or Wawanesa, Portage or

anybody else pays. Certainly, I have not been privy to any discussion. They would not be asking me if they wanted to change that and I have no reason to believe they would.

It is likewise with a dividend, we have legislation that covers the use of corporate funds. I have not been party to any discussion that says anything is going to change there.

Mr. Loewen: I appreciate that answer. Of course, the reason I ask the question is because, at one point, Manitoba Hydro had legislation that protected them against the Government taking dividends, but, apparently, that did not enter matters when the Government needed money, so I am just trying to get a feel for whether there is any indication that they will now come after MPIC. It seems they have pretty much drained Hydro to the bottom.

Just a couple more questions. I know at one point your board of directors, I believe, had set a target in terms of your investments for percentage to be in the equity market. Given that we can all appreciate in the last two or three years the equity markets have not been great, over the long-term it is probably still I believe a good policy to have a balanced portfolio. I just wonder if you could indicate where the corporation is going with that and whether in fact you took advantage of a downturn in the market to load up, based on a possible turnaround.

Mr. Zacharias: No, the corporation has had a consistent policy for the last number of years with respect to bonds and equities, 80-20. In the last few years when the equity market did not do well the bond served us very well. In fact our investment return last year was within the top 5 percentile of the Canadian insurance industry, even though it was less than we had wanted but it was not near as much less as most other people saw.

At this point we are still sitting with the 80-20 balance. We have not changed that because we thought the market was going up. We are not trying to time the market. We are looking at the longer-term strategies.

Mr. Loewen: Just one final question with regard to graduated licensing. Have you had an opportunity yet to do any statistical analysis in terms of whether claims in that age category have gone up and down,

in terms of the nature of the claims you are seeing whether they are less significant than they were prior to graduated licensing?

Maybe you could just update us on any statistical information you are gathering to indicate whether that policy is in fact having any effect on claims, accidents, rates, those types of things.

Mr. Zacharias: The graduated licensing program is starting to mature. We are getting more and more people through it. We are at the present just working on some preliminary results and numbers to have a good look at it. What, at a high level blush, it shows is that our results are going to very much mirror the savings in lives that other provinces and other jurisdictions have reported. I think we are tracking very close to that.

Mr. Loewen: With regard to the surcharges that the corporation adds, I guess by way of the Government through drivers' licences, when you calculate your average rates, are those surcharges included in that calculation?

Mr. Zacharias: If you are looking at things that the Consumers' Association of Canada or CAA or Runzheimer publish with respect to rates comparisons across the country, those are usually very specific to a set of circumstances, one driver, so many merits or so many years accident-free.

Yes, when they ask us what those people would pay, it is an all-in situation for our numbers so that that would be reported. If you are going to our Web site and looking at the rate calculator, that is the car only, but any time that third parties have done comparisons of our rates to other rates, we make a point of showing them that on each scenario you have to look at the whole picture, which includes the driver.

*(11:20)

Mr. Loewen: I have not been able to find anywhere in the reports an indication of how much the Government collects by way of surcharges that are imposed through MPIC. Do you have a number for that or do you have an analysis of that over the course of the last two or three years so we can see where the trends are?

Mr. Zacharias: We will get the exact number for you. It is going to be in the area of \$15 million to

\$20 million. It does not change a whole bunch over time in that we have about 80 percent of the population driving around with merit points. I think, again, that number has not changed a whole bunch.

The demerit point additional premium, this is not for accidents but where you have got six or more demerit points so you have got to pay more, last year that generated \$1.8 million. The accident surcharge, where you have to pay the extra \$200, \$500 or whatever it is, based on your accident frequency, that generated \$10 million. So, it is almost \$12- million, a little less than I had said. About \$12-million came out of the accident surcharges.

Mr. Loewen: Am I right in my belief that those numbers do not appear in your published financial statements?

Mr. Zacharias: They are certainly included in the revenue numbers. I am not sure that they show as a separate line in here.

Mr. Loewen: So the \$10.8 million is included in your revenue numbers, even though those numbers are collected by the Government through the driver's licence program? Just a clarification, I am speaking of the add-ons that someone would pay if they got a poor driving record to get their driver's licence. I am not talking about your own surcharges for insurance.

Mr. Zacharias: The premium you pay on drivers' licences is our premium. That money all comes to us and that is all included in our premium revenue numbers.

Mr. Kevin Lamoureux (Inkster): Mr. Chair, just to have the committee, I was just talking with the member from Portage la Prairie, and what we were wanting to know is if we can just get leave for the committee to agree to sit until no later than 20 after, 25 after 12, because there are still a number of questions that we would like to be able to pose.

Mr. Chairperson: The agreement was to sit until noon and reassess at twelve o'clock. So we can discuss that if you need more time at twelve.

Mr. Ralph Eichler (Lakeside): I would like to talk about the motorcycle insurance rates. You have talked about a 2.5% increase overall, but the motorcycle rates have skyrocketed from 15 percent to on

an average over 2004-05 a proposed 20 percent to 30 percent. Would you care to comment on that?

Mr. Zacharias: One of the things the Public Utilities Board and the corporation share is a desire to minimize cross-subsidization of premiums so that different classes of vehicles and different classes of use codes should pay their own way. Taxis in Winnipeg should pay enough to cover taxi costs in Winnipeg, and farmers in rural Manitoba should pay enough to cover farm costs and things of that nature.

The one group that has been consistently subsidized to a huge extent is the motorcyclists. The claims costs they bring to the table far exceed the premium they actually pay. So the desire has been over time to try and get a better balance on the premium motorcyclists pay compared to the actual claims costs.

In Manitoba, all motorists receive a high level of coverage, particularly on the injury side. What we have seen, unfortunately, is a number of motorcyclists who have not kept their bike in an upright position and caused grievous injuries to themselves that have generated large dollar costs. What we are trying to do is bring that premium up so that the subsidies from other motorists can slow down. Since we were not getting there in any short period of time, this last year we actually applied for a little more from motorcyclists again than the traditional 15 percent to try and gain on the gap there continues to be.

Mr. Eichler: Just for clarification for the record, according to statistics two thirds of the vehicle accidents are caused by a vehicle other than that of a motorcycle, yet it is charged to the motorcycle fund. Is that correct?

Mr. Zacharias: Not quite like that. First of all, you have to look at the total motorcycle accidents. Over 60 percent of those motorcycle accidents are single vehicle. So those accidents are all charged to motorcycles.

In the remaining 40 percent, you could get car-motorcycle. In that 40 percent, usually the car in about 60 percent of the cases, or the numbers you had there, is responsible. That is correct. So that is only on that portion where there are two vehicles involved.

The more telling number comes if you look at the dollars. If you have a motorcycle only wiping out, I am going somewhat by memory, I am not sure I have the exact number here, but the average cost of those claims is around \$43,000, meaning that when the motorcycle wipes out there is normally significant injuries occurring. In some cases those injury claims are exceeding the million dollar mark.

When a car and a motorcycle collide, this would be like going down Portage Avenue and the car switches lanes and does not see the motorcycle and the motorcycle falls over, in those accidents the average cost is \$19,000.

So, again, you have the single vehicle accidents which are 60 percent of the total motorcycle claims at an average cost of \$43,000. That is where the huge motorcycle claims dollars are going.

If you did a loss transfer and said, okay, we will now take 40 percent of the accidents that are multiple vehicle and we will move that money to the cars, it would also make sense that where the motorcycle is responsible in a two-vehicle collision you would move the car dollars to the motorcycle, so that you balance that out.

At the end of the day the net drop in requirement for motorcycle premium drops by about 6 percent. They are today more like 30 percent less than what the requirement is. So even if we did loss transfer, they would still be about 20 percent short on what they are paying to even cover their own claims.

Now, the PUB on several occasions has looked at our treatment of motorcycles and again in this last ruling has said that loss transfer is not appropriate. This is their third ruling now where the motorcyclists have said let us do loss transfer and the Public Utilities Board says no.

What they do recognize is that there is inherent risk in driving a motorcycle. If you were driving a car down Portage Avenue and someone bumped the door of your car, it might be a couple-hundred-dollar ding. If that is a motorcycle there, a small bump could be a broken leg. So the Public Utilities Board says, no, the people that drive those kinds of vehicles have to take accountability for the inherent risk in those vehicles, and therefore they are accountable and make that choice.

So, again, the Public Utilities Board has on three occasions now, including this last time, said loss transfer should not be done, and they agree that motorcyclists need to pay their fair share and that they should not be subsidized, meaning that they can look forward to, unfortunately, more increases unless we can work with the industry to decrease the frequency of accidents.

This is where things like maybe restrictions on the size of a bike that you can drive until you at least get a couple of years of riding experience might work, because you have a lot of new drivers buying huge bikes and not making it to the end of the block. The motorcycle coalition, when we have talked to them on that nature and said let us do some more training, put in some more restrictions, to this point they have said no.

So, I guess, on the one hand they need to either support some safety programs that reduce losses or they have got to keep paying or we keep subsidizing. I am not sure that the motorists want to keep subsidizing.

* (11:30)

Mr. Eichler: Just to follow what you were talking about there, has the association looked at some type of a reward system like you are with the alarm systems in vehicles, because a lot of bikes are as much, if not more, than a car nowadays? If a bike is equipped with an alarm system, or I guess the other part would be, if a motorcyclist had a training course, is there some type of a reduction that you could use as an incentive to cut back on the theft and also on the accidents?

Mr. Zacharias: On the motorcycle training, what we do is subsidize the cost of drivers taking motorcycle training. If you have a \$300 motorcycle training course that is there and you are one of our insureds and you want to take the course, we will subsidize something like \$200 of that course to try and encourage more people to go and not make the hurdle fee with respect to taking that course prohibitive. You do get the discount rating the same as you would with your cars for that item.

With respect to theft, motorcycle theft is not included in the basic coverage but it is a separate program that they can buy that we offer. In each of those cases we do an underwriting with respect to do

we want to sell theft for this bike or not. Based on how well that bike is equipped could determine his premium level. So that happens on the one-off right now with respect to buying the optional coverage, which is the theft.

The big gain, I think, that can be made on motorcycles is to restrict bike size for some of the inexperienced drivers. That I think would require the motorcycle coalition coming to the table and supporting that kind of move. To this point they have resisted it.

Mr. Eichler: Just one last question regarding you had indicated that the premiums are going to go up even higher yet over the next little while. Do you have a forecast done on those?

Mr. Zacharias: It is driven by claims cost. I guess there are two answers to that. If there is no slowdown in the claims and the continued increase in frequency of claims that we get from motorcyclists, you can go 15 percent a year for many years and not reach premium adequacy for all of them. For some classes you can.

If you can slow the claims trend, which I think is where we need to spend more of our energy addressing and, hopefully, get more people on side, then we can get there pretty quickly. At 15 percent, that is a big bump. If you slow down the claims side for one or two years and you are going to be at rate adequacy. What we are finding right now, we are bumping the premium of 15 percent and their claims costs are going up 20, so you have lost ground some years so that we are trying to catch up.

Mr. Eichler: That might have something to do with the number of motorcycles insured. With the premiums the way they are, a lot of people are not driving motorcycles based on the number of insured motorcyclists. Is that not true?

Mr. Zacharias: That is what we hear from their association and some of the dealers, but there is also an article in the *Sun*, not that I quote the *Sun* very often, but that talked about growth in Manitoba motorcycle sales being the highest in the country. What I think we are seeing is a change in trend where the people who are buying are now some of the middle-aged people who are getting back to their childhood toys. We are seeing a lot of high-end bikes coming back into the marketplace. So, yes, there are

fewer bikes than there were 20 years ago but overall we are actually seeing some growth in the high-end bikes in particular.

Mr. Faurschou: I have a number of questions but they are going to be all over the map this morning.

I appreciate your comment in regard to driver ed, and knowing some of the accidents that have occurred on gravel roads because of inexperience and the want by the instructors to have that included within the curriculum. I appreciate your understanding. As well, a road trip to Winnipeg for multi-lane experience is another curriculum item I hope can be included.

A specific question in regard to following up on the home care, effectively there was an experience again, snowfall, the home care worker could not get into the home because of the snow and it was not within her parameters of service to shovel that entry-way. Consequently, she did not shovel. She did not get in. It was impaired. Still, the service was not rendered. I am hoping that you have a comprehensive testing to bring in some of these scenarios so that they are adequately addressed so we do not get these incidents.

Mr. Zacharias: I am pleased to say that in the new grids with respect to home care, snow clearing is included where it was not before. We have also had a look beyond the grid and said where we have people disabled in homes we have to recognize where we live and that having these people snowed in is not good for them and does create a risk. Whether we should actually expand some of that coverage beyond the grid is under consideration at this point too.

There have been four cases over the years that have gone to the external appeal commission on snow clearing issues. We have gone back and had a look at how they were viewing that item to make sure we do not have a situation where Manitobans are snowed in their houses and cannot get the treatment they need. Somehow that needs to be addressed, either through the grid or beyond that, but it is now included in the new grid that we are bringing to conclusion.

Mr. Faurschou: On the topic of snow, we have heard recently about extraordinary snowfalls in other parts of the country. Also the variations in weather

have drawn additional icing situations and recently we heard consideration by Québec to consider mandatory snow tire legislation initiated by statistics from Québec insurance. I am wondering whether or not MPIC is considerate of same or have you collected statistics in that regard.

Mr. Zacharias: No, we have not collected any numbers. I have not seen the study out of Québec, if indeed they did one on what difference snow tires might have made.

I guess the requirements of a vehicle and what kind of equipment it carries falls under The Highway Traffic Act. I am not aware of the Department of Transport taking any initiatives on that front, but I have nothing to offer by saying this is the impact it might or might not have to us. We have not done that study.

Mr. Faurschou: I know there were pros and cons to the discussion insofar as that sometimes the snow tires give a false sense of security and persons with new snow tires drive a little faster and are not as cautious, so it is offset with the additional snow tires. I know it is a complicated question but it is one that is being considered now by the Québec legislature.

So, moving on the consideration of the liability only coverage in regard to older vehicles, many other jurisdictions now offer that to recognize that the insurance on older vehicles can sometimes exceed that vehicle's value. Is there any consideration about liability only for older vehicles?

* (11:40)

Mr. Zacharias: We have looked at it in the past but I do not see us going there. There are several reasons for that. For any vehicle that is leased, any vehicle that has a bank loan, collision coverage is required. So that leaves some low-end vehicles where that might be an option.

If you look at the makeup of the premium, I think one of the falsehoods that we have now, if an individual has a \$500 premium on their beater and we will drop collision, it will go to \$480, because there is little value in that car. There is so little of that premium that is made up of the collision because there is no exposure. So you are going to save your twenty bucks. I am not sure that that is going to serve anybody well because at the end of the day you still want coverage if you are hit by somebody or hit-and-

run or the car burns or something happens to your car, the windshield goes on it. Those people still want to claim even though they do not have a high-value collision claim.

So we asked people, this goes back a while ago, would you want choices like that? One of the big fears was, okay, now you want me to pick and if I pick the wrong thing, you are going to deny my claim and I am not sure I want to go down that route, that you are my insurance company, I have all-perils coverage when something happens, I am coming to you to collect. To start breaking that down is just going to create another level of confusion. In consumer education and frustration the people said, in fact I think it was over 90 percent of the people that we talked to in some focus groups, do not touch it. So we are not. At least we have not proposed to go down that road. That goes back a little time but I am sure that the numbers are not changing.

Mr. Faurschou: Thank you for that. I know that there is pooling and how everything is equitable per policy holder for, as has been mentioned earlier, the various coverages. But, anyway, I am driving a 1991 Mazda pickup and paying the same monies to MPIC as someone with a new full-sized Ford pickup bothers me a bit.

In regard to the collisions and persons involved in accidents of their fault, are you looking at all at requesting retesting of drivers' licences for individuals that have exhibited driving deficiencies and making that as also a prerequisite perhaps to reinsurance?

Mr. Zacharias: No. The driver discipline improvement falls under The Highway Traffic Act and Department of Highways and not with respect to MPI. So we do surcharge to try and encourage good behaviour. I think making a dent in pocketbooks goes a long way to doing that, but as to who can drive and who needs to go take that retraining or that defensive driving course, that is a decision of the Department of Highways.

Mr. Faurschou: I do appreciate that it is another jurisdiction or responsibility, but I believe it is incumbent upon MPIC to make observations as to what legislation would effectively provide for the long-term stability and safety on the road. I will follow that into another area which other jurisdictions have also considered by government, that being

identification of dangerous roadways, intersections, railway crossings. In the case of BC, the government has called upon the insurance company because the insurance company actually made the suggestion that this intersection needs to be improved. Because of the number of incidents, the scarce resources in Highways, it was ICBC that served up the dollars.

Are you considering anything? Perhaps the minister's response is more appropriate in this regard at this time.

Mr. Zacharias: In improving the driving on our roadways, the big three Es come in: education, enforcement and engineering. The corporation has taken the position that we will deal with the education side. That is why we go into driver ed and that is why we have supported graduated licensing and made that part of the driver ed program and worked very heavily on many education things including our school programs and intervention programs.

The board of directors have adopted the policy that we will not be involved in engineering, snow clearing, rebuilding intersections, things of that nature. Today taxes are collected by the City of Winnipeg and others with respect to building roads. I do not think I would enjoy using the corporation's monopoly position to try and extract extra funds to do things that the local politicians might not want to do with the tax dollars they collect. I do not think that is our role and that is not where we should be.

Certainly, providing information, sharing information, our accident data with police and Department of Highways, city of Winnipeg engineers and provincial engineers so we know where the bad spots are and what can be done and making recommendations and working with the enforcement people with respect to a lot of their programs, we do that and work very closely with those organizations. But to this point there is no program I am aware of to use corporate dollars to rebuild intersections or roads.

Mr. Faurichou: Thank you for being perceptive to my follow-up question. I appreciate the response.

In regard to the operation of the Fair Practices office and understanding the nature of that responsibility assigned to that office, it also relates, though, to claims that are being unsatisfactorily dealt with, at least from the claimant's perspective. That

then relates to the Ombudsman's office. I am reviewing the Ombudsman's report from two years ago and I am concerned about the number of cases being carried over from year to year. Already from boards and corporations side of the activity of the Ombudsman, MPIC-related cases make up 62.5 percent, which is a fairly substantive amount of the cases handled by the Ombudsman's office.

Have you reviewed, since the operation of the Fair Practices office started, has it alleviated the demands placed upon the Ombudsman's office to resolve unsatisfactorily resolved claims?

Mr. Zacharias: I think there is also, you will see in his report, if not the one in front of you one of the ones previous to that, where he talked about the number of MPI cases dropping. I think he also speaks in his reports very highly of the high level of co-operation that he has with the corporation and the good relationship in resolving those.

If there is lots of carry-over of outstanding cases I would like to think that in very few cases would that be because we have not responded to what he is doing. It is because he is doing further investigation and maybe has not made his ruling yet.

There is no decision that we make within MPI that is not appealable somewhere. I think we pride ourselves in the fact that we are not jamming things down people's throats but that they have places to go. We very actively encourage our customers, if they are unsatisfied, that one of the places they can go is the Ombudsman. In some cases they need that third-party advice that things happen the way they should have in order to feel better about how their claim was handled.

We are probably one of the biggest referrals of people to the Ombudsman's office. We talked to the Ombudsman and told him that is what we are doing. He understands that. Whether it be the Rates Appeal Board, whether it be the Ombudsman, whether it be fair practices, whether it be the arbitration procedure, whether it be the external appeal commission or internal appeals, there are lots of places people can go. While we, certainly, try to provide all of the advice we can and the backup for the decisions we have made, I would think that a large number of the cases the Ombudsman gets are actually our referrals to his office.

Mr. Faurshou: Mr. Chair, the actual question, though, involves the Fair Practices office. Have you statistics to gauge its effectiveness? I was using the Ombudsman's office as an example to address claims that claimants are feeling have not been satisfactorily addressed.

Mr. Zacharias: On both fronts, the number of people going to the Ombudsman has dropped because of Fair Practices. The Ombudsman, I think, has also used some discretion. When he gets calls he has said to the people: Maybe before I do this go have a chat with Fair Practices and see what you can find out.

We do keep track of every instance that comes to them by day, by week, by month. They report directly to myself so that we can see where the trends are, what is happening or whether these are one-offs. They have an excellent record of resolving those issues.

* (11:50)

Mr. Faurshou: Thank you for that response. I would like to ask about the current decision not to implement the most recent glass schedule for replacement. It has drawn concern from the glass only repair shops. They rely on current replacement fee schedules that reflect what their costs are and are concerned about the price squeeze that is currently affecting their business.

Mr. Zacharias: I guess I will speak in generalities. I am not 100 percent up to speed on the latest price, but certainly we have done an awful lot of work on glass pricing in the last years.

What has happened, and maybe just a quick review of the Canadian industry, the glass people publish numbers that say this is what the glass price is worth. We do not know how they make up those numbers and they seem to appear by magic. Then the insurance companies negotiate discounts off those glass prices. So, if you have a \$100 windshield, the insurance company will pay \$80. The insurance company gets a good deal.

What has happened over the last number of years, the insurance company wanted to only pay 75. After haggling and finally the agreement was reached the insurance companies pay 75, but the price went from 100 to 105. There is this game that has been going on for a number of years in the

industry and there was actually very little semblance of order with respect to pricing, discounting and things of that nature.

Our people headed a national project to try and get a better handle on glass pricing and what is going on and what is a fair price and talked to a number of manufacturers. The glass consortium hold on the price list we have, I think, broken. We now have a pricing system that makes much more sense and still allows everybody to get a fair return. We have no interest in putting people out of business because that means we have no place to get windshields done. So we have worked with the glass industry and the automotive trades association on a number of agreements with respect to glass pricing.

What may have happened in the last month I am not familiar with. If the glass consortium has still sent out a new price that we have said no to, or whether we have a new price coming out, a different price in follow-up on that, I am not sure. I would have to take that as under advisement and get back to you on that.

Mr. Faurshou: Thank you for the response. I do understand that you want to receive fair pricing and that is very important, but I do want to raise at this time, when doing so, to recognize where the information comes from. If you are looking to the major auto dealers that are providing that information to you, obviously they will want to funnel you in a direction that will benefit their shops and where they will be the supplier.

When it comes to an independent glass supplier, that is all that they do. They, obviously, will have that overhead specific to glass and should be in this scenario when you are making this determination, where the other auto dealers perhaps will be able to supplement or to have other repairs to a vehicle that could be cross-subsidized for the bottom line.

So I just want to make absolutely certain when bringing this formula forward and recognizing what schedule for glass, that you are fair to both and recognize the biases that could exist in the provision of information to you.

Mr. Zacharias: While 60 percent of our cars are in Winnipeg, 60 percent or 63 percent, I believe, of our windshield claims occur in the rural areas because the cars out there are driving on gravel roads much

more so than pavement. So we need to be sensitive to where those windshields are occurring to make sure we have service out there.

If we had two shops in Portage, one that did autobody work and glass and then a service station that does the odd occasional glass claim, certainly the one shop is going to buy at a much better price than probably the single person. We let our customers choose where they want to go but I am not sure that we can turn around and say we will price our glass so that the guy who does one a year can make a good buck on it. I think we have to take more of a middle of the road pricing and let everybody play, but there are going to be some people who buy in small volumes that probably are not going to do very well.

If you could get your car done on block one or block two, I am not sure that we can guarantee the guy on block one that does the occasional one that it is going to be a very profitable business for him. I think we still have to do some blending of that price between larger volume and small places.

Mr. Faursehou: I appreciate the recognition of the various parameters or considerations that come into play.

I want to ask a specific question in regard to collateral damage: damage to buildings and shrubbery, hedges, fences in regard to vehicles that have been responsible for this type of damage and how the corporation deals with that collateral damage.

I will give you a very specific situation in regard to a Saskatchewan and a Manitoba car running into exactly the same restaurant. *[interjection]* It was a drive-through after they left the scene but was not that initially.

In regard to the Saskatchewan-licensed vehicle, the restaurant owner received very quick resolution to the damage. The building was repaired and business was resumed.

However, in dealing with MPIC, the same occurrence exactly under the same circumstances, he was waiting six months for resolution with MPIC. It was not very attractive for carrying on business, boarded up windows and support beams being trussed from the outside. It is something of a third-party and collateral damage. I would like to offer that up. I can be

more specific if you would care to but it is as I have told it here.

There is another specific about collateral damage involving a stolen vehicle. The stolen vehicle went into a shop, considerable damage. MPIC will not pay because they have not yet charged the person that was responsible for the theft of the vehicle. I personally feel that is grossly unfair to the innocent third party in this respect having to make major repairs to his farm implement business in the specific situation I cite that had no bearing at all. However, in order to carry on business, he is going to have to shell out significant dollars for the repair. I would like a response in this regard, because in my perspective I feel this is grossly unfair.

* (12:00)

Mr. Zacharias: With respect to third-party claims, if the owner of the car is responsible for the damage, then MPI has to pay on his behalf. That is no different arrangement than with any other third-party liability insurer. What we would prefer, at least what most customers would prefer, is that if their building is damaged that they would deal with their own insurance company, get their building fixed and then subrogate against MPI. There is some good advantage to the owner doing that.

On our liability we are liable for the actual cash value of the damaged goods, which is the depreciated value, so that if your building is damaged, if we are fixing it, fine, but there are many cases where the building owner will have replacement cost insurance, which is different from what the driver is liable for. What most business people would want to do is claim with their own insurance, get the replacement cost so that they get the full benefit of the policies they bought for, and their insurance company will then subrogate from MPI with respect to the depreciated value that is there. We would pay that bill.

If the individual chooses to deal directly with us, they can certainly do so. If it is a matter of repairs, I do not know why we would not be having the repair people in there to do it, but there could be some other items where depreciation becomes a factor and a stumbling block for argument's sake. Until that is resolved, maybe the individual does not want to spend the bucks.

On general principles, those are a couple of things that come into play, but with respect to the item that you are referencing, if you want to give us some details, we can certainly try to look at that. I guess what we would need is some kind of release saying that the individual is authorizing us to release information to you because we are trying to protect people's privacy as well.

With respect to the theft, I do not think it is going to make any difference if the thief gets charged or not. We are not going to pay. If someone steals your car and runs into my building, are you responsible? I think you would say, no, the thief is. The insurance policy you have on your car is to reimburse on your behalf things for which you are legally liable. You are not legally liable for the damage to your vehicle unless maybe you left the keys in the ignition or somehow encouraged the thief to come and were part of the negligence in doing that.

Where people steal cars and then cause subsequent damage and want to file a third-party claim against the owner of the car, nearly all cases are not successful.

In Manitoba, because we insure all the cars and a thief runs into my car, my car is going to get fixed because it is covered as well. All the people occupants of the car have injury coverage, so they are all going to be looked after. So one of the good benefits of our system is that these people do not get stranded out there.

Simply, if somebody steals my car and runs into your house, you have the right to collect from the thief the same as I will for my car that he stole; but the car owner, I, am not accountable, responsible for the damage to your house. That is a principle that has been in insurance for a long time. It is no different here than anyplace else. Yes, there is an innocent victim, the person whose property got damaged. They are a victim of the theft just as I am because my car is gone, but we will not come good for all the car thieves and damage the car thieves do in this province or any place else, nor will any other insurer.

Mr. Chairperson: Excuse me. The hour being just after 12 noon, what is the will of the committee?

Mr. Maloway: Mr. Chairman, after consulting with the parties, I think we can agree to go till 12:15.

Mr. Chairperson: Is it agreed that we sit until 12:15? *[Agreed]*

Mr. Faurichou: I appreciate the understanding of the situation. It is just frustrating and infuriating to individuals who are in such a spot.

There is one last question and then Mr. Lamoureux wants to have a couple of words.

In regard to the special investigative claims unit, the activity of that unit, has it increased significantly?

I personally have an unsubstantiated gut feeling that a lot more claims are being referred. The actual persons, the adjusters are referring more claims over, rather than disposing of them at their level. I find that internally there is less of a willingness to sign off on incidents or claims if there is not even a shadow of a doubt.

I have a number of specifics that I could go into, the reluctance of the adjuster to sign off on the claim and to put it forward, and it has been referred to a special investigative unit. The investigation has drawn a black cloud over individuals who are outstanding citizens of communities, just simply because of the situation. The special claims investigators have come to the conclusion there have been no improprieties here whatsoever, but just because of the investigation going to neighbours, going to places of employment and other areas where the unit does do its investigation, are damaging, simply because it is actually taking place and questions are being asked.

I would like to ask, even though it is a necessary operation of the MPIC, I would like to offer a caution at this point in time to make use of these types of investigations when it is clearly needed, not to have as much grey area as we currently see, as I have, as I said, a gut feeling over is getting to be a much larger proportion. So we are having more grey rather than black and white right now. I believe you understand where I am going with this.

Mr. Zacharias: Yes, the elements of fraud in insurance claims and fraud claims is well documented over the years. In fact the Canadian industry speaks in terms of 20 percent of the total dollars that are paid out are fraud, or have some element of fraud associated with them.

I hate going to Public Utilities Board and asking for rate increases because we have let dollars slip out the back door that should have not gone out the back door.

To that end, we have taken a number of steps which includes a phone line, tips line, with respect to insurance fraud. I am continually amazed at the number of calls that come in and tips that we need to investigate. We do have set profiles of certain types of claims and occurrences of claims or frequencies or where they occur that trigger flags.

To that end, we have investigators that chase those leads and will try and determine whether it is or not a legitimate claim. Yes, for some individuals they do not like to see SIU investigating their claims for either good reasons or bad reasons. I think the public as a whole can take an awful lot of confidence that the dollars we are spending are good dollars, that we are not seeing professional organizations coming in here and ripping the system the way they are in other places.

Unfortunately, any time you put in levels of controls, you are going to have some innocent people that get put through the mill. It is not pleasant. Trying to find that balance between how many people do you put through and what do you catch and do you have some good reasons for starting that investigation in the first place is an area we have had to concentrate on because it is a public relations issue as well.

Trying to find that balance, we are sensitive to it. I hear your comments. As we review what we are doing and not doing, we will continue to work on that balance between catching the bad guys and not inconveniencing or throwing suspicion on the good guys.

* (12:10)

Mr. Lamoureux: Mr. Chair, I had a series of questions that I was wanting to be able to ask. I think Manitoba Public Insurance plays a critical role for our province. I realize I only have about six minutes. I just wanted to spend one of those valuable minutes just to give a commentary of being here at five to ten.

We are provided a couple of hours to be able to ask questions on behalf of constituents or Mani-

tobans to hold this corporation accountable. I am personally disappointed in the sense that as a legislator that we are not really afforded the opportunity to ask the different numbers of questions that we feel are of critical importance in how MPI is running its affairs. It is the type of thing in which I think that whether it is the Government House Leader, the political parties do need to be involved in looking at the rules and ensuring that there is a higher sense of accountability.

Having said that, my question to Mr. Zacharias is: Does the MPI provide any sort of public documentation on actual numbers of appeals that we would be able to take a look at?

Mr. Zacharias: Certainly, with respect to our legislation under the Crown Corporations Council act, keeping track of complaints and issues is something we do and we do publish. I am just trying to say where that is. I do not believe it is included in our annual report. Maybe just a minute and I can see where, because we do certainly make that information available.

I am sorry, with respect to the appeals that you mentioned, that is under the Consumer and Corporate Affairs Department, not under MPI. That commission is totally arm's length from MPI. Therefore, whatever numbers they publish would be there. That is not part of us.

Mr. Lamoureux: I wonder if Mr. Zacharias would agree that there would be some benefit if you would include in your annual report some sort of a status on numbers of appeals that are put through the process?

Mr. Zacharias: Appeals with respect to the injury compensation system, that again is not part of the corporation. People can go to the Appeal Commission. That is outside of MPI so we are not going to have that kind of data or be reporting on our department's data. That is another department of government that should report that.

Mr. Lamoureux: It is one of the number of calls that I consistently get as an MLA is individuals who are going through the MPI appeal process where they have put in a claim. I do believe there is some value in incorporating it into your annual returns. The appeal process is something which, as a legislator, I fall back on, whether it is MPI, Workers Compensation, Immigration, whatever it might be. Statistical

information of that nature goes a long way in helping.

Given the amount of time, I am just going to expand upon it and then ask Mr. Zacharias to get back to me personally through writing or through the phone.

The concern is this: There is an appeal mechanism if someone comes in, there is a dispute which they have with the adjuster and they disagree, so then it goes on to the first appeal level. I am concerned in terms of what percentage of those are actually being overturned where the claimant is in fact given more money. Then if you go from that appeal level to the next appeal level, again, I am looking in terms of the actual percentages and then the number or percentages where it is overturned in favour of the claimant again.

Much like if we went to the Ombudsman where there were questions about the Ombudsman. Over 60 percent, I believe, was the number that was used, the Ombudsman deals with MPI. How many, what percentage where the Ombudsman's office gets involved has a direct impact where the claimant is actually receiving more money or more compensation where MPI would have been ruled as maybe having made a mistake.

What sorts of supports does it take for the average person in order to be able to go through? For example, at the first appeal level to what degree do we see claimants engaging lawyers? I would like to think we should keep this as consumer-friendly as possible. The best way we can do that is to ensure that basic level is being addressed primarily through individual claimants, that there is no feeling they have to have a lawyer to represent them.

Having said that, I have a very keen interest in that appeal system. I would like to see something incorporated into the annual report.

There are other issues such as administrative costs. The overall revenue that comes into MPI, what percentage is actually covered for the administration of MPI? The administration has grown. Is it the same sort of percentage of the revenue that it takes to run the administration, having that not on a one-year basis but you could go every five years, 1971 to 1976. I think it, again, allows us to see just where MPI is actually spending the revenues it is receiving.

I, too, am very concerned about motorcycle insurance. To what degree do we have individuals who have been riding bike for more than five years actually putting in claims? Do we actually have some numbers on that which MPI could in fact provide?

The issues such as the seatbelt, if someone—

Mr. Chairperson: Excuse me, Mr. Lamoureux, I am sorry to interrupt you. The hour being 12:15, what is the will of the committee?

Mr. Maloway: Mr. Chairman, I would suggest that we ask the members whether they would like to pass the reports and then rise.

Mr. Chairperson: Is there a willingness to pass the Annual Report for the year ending February 28, 2001?

Mr. Faurschou: I believe there is a willingness on this side of the table to pass a couple of reports but I do want the record to reflect that we do have a number of questions yet outstanding. It is obvious that Mr. Lamoureux has further questions to be presented, as he has reported. I believe that we could pass a couple of the reports. However, we are not prepared to pass all of the reports because we would like your commitment to reconvene this standing committee in short order.

Mr. Chairperson: Is it the will of the committee to sit for a couple of minutes to see if there is a willingness to pass any reports?

Mr. Lamoureux: Mr. Chairperson, again it is more of a procedural question, I guess. My understanding is even though I am not a committee member that members of the Legislature are allowed to ask questions prior to the passing of reports. Is that correct?

Mr. Chairperson: You are correct. You can ask questions but you are not a voting member.

Mr. Lamoureux: I would like to continue asking questions as opposed to passing reports if that is possible. After I am done asking my questions, I would be more than happy to pass reports.

Mr. Chairperson: I will ask if there is a willingness to pass this report. If there is not, then we have passed our adjournment time and so we will be

rising. Is there a willingness to pass the report for the year ending February 28, 2001?

Some Honourable Members: Pass.

Mr. Lamoureux: No.

Mr. Chairperson: You are not a voting member. There is agreement to pass that report.

Point of Order

Mr. Loewen: Just for clarification, because I find it a bit of a strange situation. MPIC for some reason is one of the few corporations in the world I know that provide a report with a financial statement ending in 2001 and call it a 2000 report.

I get a little confused into what report we are dealing with. I do not know if there is an explanation for that or a reason for that or whether it is just historic. It, certainly, is out of the normal course of business practice that I am aware of.

Mr. Chairperson: We are getting into debate. Mr. Zacharias or the minister, could you clarify which report we are referring to?

Mr. Zacharias: Yes, the corporation's fiscal year is on February 28. The report that we are looking at is our 2000 report, which actually ends on February 28 of '01. The 2000 report is the one that is outstanding. We also have the 2001 and 2002 reports. Your description of the report as for the fiscal year ending at certain points is correct.

Point of Order

Mr. Lamoureux: Just because I think procedurally that it is absolutely critical that we be clear in terms of what it is that we are doing, technically, then, if I follow what you are saying, is that a member of the Legislature, and I concur, even though they are not a member of the committee, can ask questions on a report. If, in fact, we were to hypothetically sit in this committee and then the committee decides to pass the reports, then an MLA is not allowed to ask questions on the report because the report has then been passed. I think that there is some inconsistency that is there.

You either have to allow for the questions of members of the Legislature to be posed and

answered. Otherwise, the committee in essence is forcing closure on debates or on questions on a report. It only stands to reason. I think that before we pass this I would suggest that we should really look at what it is that we are doing.

Mr. Chairperson: In my view, and in response to your point of order, we have been asking and answering questions for two hours and 15 minutes. Your problem is that we reached the adjournment time. Instead of adjourning, it was agreed that we would see if there was a willingness to pass reports. It was agreed that we pass one report.

* (12:20)

Point of Order

Mr. Lamoureux: I guess on a new point of order, because I am a bit concerned in the sense that I do not want this to be precedent setting, I am going to agree that a report be passed.

I really do think that the chairs of the committees in particular maybe should be sitting down with the Speaker to get that issue clarified in case it becomes a problem in the future. There is an inconsistency in what is being done. I do not think it is healthy for the Legislature.

Mr. Chairperson: In response, it would be my view that any member can ask any questions up until adjournment time. Secondly, you could ask for leave to sit longer, in which case you would have an opportunity to ask more questions if the committee agreed.

Mr. Lamoureux: On that point, Mr. Chairperson, if you pass the report then I cannot ask questions of a report that has been passed. That is why I would argue that you cannot pass a report until all members of the Legislature are prepared to stop asking questions. Otherwise, why then allow them to ask questions? Why give me the privilege of asking questions if you are going to take it away from me by the committee deciding to pass the report? I am sorry. I believe that is a form of closure. That is what it is.

Mr. Chairperson: In response to Mr. Lamoureux, the members of this committee are considered permanent members. The committee decides whether or not to pass annual reports and only committee

members make that decision, unlike the House or Committee of Supply where everyone can vote. On this committee, only the members of the committee can vote.

Mr. Lamoureux: Is it the decision then of the committee to prevent members from asking questions before the report is passed?

Mr. Chairperson: If the Chair asks shall the report pass? and even one voting member says no, then the report would not pass. Then it is up to the House leaders to schedule another meeting of the committee.

Mr. Lamoureux: So, Mr. Chairperson, then my only appeal would be to raise the issue on March 1 as a matter of privilege as to not being allowed to have future questions because the committee decided to pass this particular report as opposed to letting it continue to the next meeting where I would have been afforded the opportunity at some point to ask more questions on that particular report. Is that a fair assessment? That would be my only appeal left?

Mr. Chairperson: Mr. Cummings, on the same point of order.

Mr. Cummings: Generally, committees run on agreement and understanding. The Member for Inkster (Mr. Lamoureux) is abusing the understanding that he attempted to arrive at with the opposition members.

He certainly makes a valid point. We would all be interested in perhaps having further opportunity for questioning. On that basis, I would suggest that perhaps committee rise.

Mr. Chairperson: Mr. Faurshou, on the point of order.

Mr. Faurshou: In regard to support for passage, it was an observation that Mr. Lamoureux had closed the 2000 report ending February 28, 2001, and was asking questions with the most current report open. Those observations were made and, so we believed, went in support of the original motion to pass that the 2000 report had indeed been concluded for the honourable Member for Inkster in questioning. However, I would be in agreement to seeing further discussion on this point, that the committee rise without passage of any reports.

Point of Order

Mr. Loewen: On a similar point of order, I mean, when you asked the question, and this goes back to the vote, I had raised my hand for a point of order to clarify what report we were voting on. So I did not have an opportunity to vote. So I am surprised you are saying we have actually passed the report when, in fact, I had asked, on a point of order, for clarification of what report we were dealing with.

Mr. Chairperson: On the first point of order from Mr. Lamoureux, there is no point of order. Secondly, on the point of order from Mr. Loewen, there is no point of order.

* * *

Mr. Chairperson: I will now put the question. Is it the will of the committee to not pass any reports today? *[Agreed]* Committee rise.

COMMITTEE ROSE AT: 12:26 p.m.