



Legislative Assembly of Manitoba

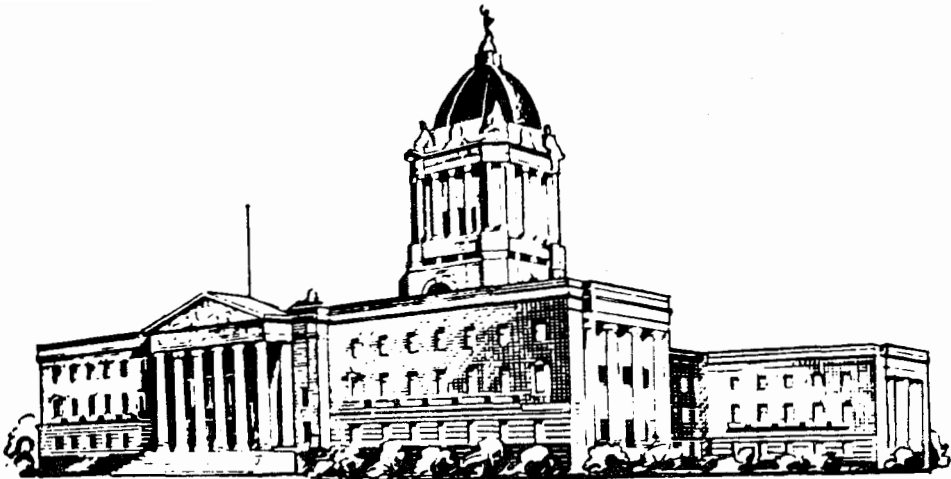
HEARING OF THE STANDING COMMITTEE

ON

PUBLIC UTILITIES AND NATURAL RESOURCES

Chairman

**Mr. Harry Shafransky
Constituency of Radisson**



THURSDAY, March 31, 1977, 10:00 a.m.

TIME: 10:00 a.m.

CHAIRMAN, Mr. Harry Shafrensky.

MR. CHAIRMAN: The meeting will come to order. We shall proceed. This morning we shall hear from the Chairman of the Manitoba Public Insurance Corporation, the Annual Report for the year ended October 31st, 1976. I shall call upon the Chairman of the Manitoba Public Insurance Corporation, Mr. Burtniak. Mr. Burtniak, will you proceed.

MR. BURTONIAK: Thank you, Mr. Chairman. As you have already pointed out we are here this morning to review the Annual Report of the Manitoba Public Insurance Corporation for the year 1976. And as you also know a few months ago my colleague, the Honourable the Minister of Municipal Affairs relinquished his position as Minister responsible for the MPIC; and I would like to express my thanks to him for making it possible for me, when I took over these responsibilities, at a time when things are in such a healthy state of affairs.

Before I go any further I want to take this opportunity, Mr. Chairman, to introduce some of the gentlemen with me here this morning. On my left is the General Manager, Mr. J.O. Dutton. Also we have the Assistant General Manager, Mr. Joe Pereira; and we also have with us Mr. Hillier who is the Director of Finance and H. Dribnenky, the Controller. Those are the gentlemen here this morning. I might point out too that as we proceed through the report, Mr. Dutton will be assisting me in answering any of the questions that you may put to us.

Mr. Chairman, I understand there's an order at this point to provide the committee with a brief outline of the corporation's operations for the period under review.

The Automobile Insurance Division commenced the year with an accumulated deficit of nearly million, but it is noteworthy that the year under review showed an operating surplus of \$14.7 million. Of this amount \$4 million was transferred to Catastrophe Reserve Fund and the balance of \$10.7 million was utilized to reduce the accumulated deficit to approximately \$8 million.

During the year under review the corporation handled 181,000 automobile claims, an increase of some 6,000 claims over the year previous. The average cost per claim increased by seven percent from \$329 in 1975 to \$352 in 1976.

Of interest is the fact that the Corporation was in a position to reduce the expense ratio of the Automobile Insurance Division from 17.6 percent earned revenues in 1975 to 16.6 percent in 1976. These expenses include all commissions, premium taxes, business and property taxes, administrative overheads and claims adjusting expenses, and compares favourably with expense ratios of private companies.

The General Insurance Division had an income of \$4-½ million in written premiums and an operating surplus of just under \$200,000 in the year under review. After eliminating the 1975 deficit of \$71,000 the General Insurance has an accumulated surplus of \$103,000.

Over \$27 million, Mr. Chairman, was invested in long-term bonds and securities in villages, towns, municipalities and cities in the Province of Manitoba. This investment combined with short-term investments earned the Corporation an investment income of nearly \$4.6 million, an increase of about 100 percent over the previous year.

I would say that the government of the Province of Manitoba is satisfied with the operations of the corporation, but more than that, most Manitoba motorists are more than satisfied as they continue to enjoy the lowest automobile insurance rates in the country. The general insurance business is fulfilling a need in the province and has received tremendous support from the general public and the agents. The general insurance business is still in its infancy and so it is difficult to forecast what the future may hold for it in the next two to three years. However, I am pleased to inform the committee that the prospect of another surplus year for Autopac appears to be a certainty and that this will be accomplished without a rate increase in the year 1977.

Mr. Chairman, those are my brief comments and I would now turn it to you and the members of the committee to discuss the report and ask any questions. We'll try to answer them as best we can.

MR. CHAIRMAN: Should we proceed with the actual report itself, on a page by page basis, and then have members ask questions, or do you wish to ask general questions first and then we proceed into the page by page review?

Page by Page? Page 1, Mr. Steen.

MR. STEEN: When we get to Page 1 can I ask the Minister responsible a question? Some weeks ago in the Legislature the Member for Minnedosa asked the Minister responsible for Public Insurance if Mr. Alan S. Wiley was still a member of the Board of Directors, and at that time he said, no he wasn't. Has he been replaced?

MR. BURTONIAK: No, Mr. Chairman. Mr. Wiley's name appears on the report as you will notice. But he has since, as I answered in the House, he has since resigned and there has been no replacement taken place as yet,

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MR. STEEN: A further question, Mr. Chairman. Mr. Wiley was I believe on the board as a representative of the Automobile Dealers Association. wasn't he?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: No. Mr. Chairman, that has been an impression that has gotten around. I know that, but it's not necessarily the case. As I understand it board members were not appointed because they represented certain sections of the business community in the province. He was, of course, obviously in the automotive repair business and automotive sales business.

MR. CHAIRMAN: Page 1—pass. Mr. Steen.

MR. STEEN: No, Mr. Chairman. On Page 1 of the Annual Report, at the bottom of the page the writers of the report talk about the start-up and development costs and how they have been amortized over a number of years. Perhaps the Minister responsible could tell us how many years these start-up charges are being amortized over, and make a comment as to where we stand today.

MR. CHAIRMAN: Mr. Burtniak.

MR. BURTONIAK: Mr. Chairman, the amortization costs are based over a period of 20 years. We are now in the fifth year, so more or less another 15 years to go.

MR. CHAIRMAN: Page 2. Mr. Steen.

MR. STEEN: On Page 2 the report speaks of the growth in the past year and so on, and it goes on to talk about the investment portfolio and so on. The Autopac has been investing in Leaf Rapids, perhaps the Minister can comment on the reason for investing in the Leaf Rapids corporation rather than spending some of the money on paying off some of the start-up charges.

MR. BURTONIAK: Well, Mr. Chairman, if the member is referring the investment in Leaf Rapids of some large amount, I want to point out that the corporation does not actually do the investing as such.

A MEMBER: That's the Department of Finance.

MR. BURTONIAK: Financing, that's right.

MR. STEEN: But my question is not whether the investment is a good one or not, I'm questioning the Minister on the aspect of, is it in his opinion wise to be investing the money rather than paying off additional charges that were incurred through the start up of Autopac? Paying off the original deficit at a faster rate.

MR. BURTONIAK: Well, in answering that, Mr. Chairman, I believe as I said in my opening remarks that the corporation has done well in the first five years in reducing the amount of debt; and hopefully we can wipe that out within the next short period of time. But in the meantime the investments that have been made have been large investments, not by the corporation as I've said before, but through Finance . . . the government, and we have other areas there as well. The member singles out Leaf Rapids. We have also the Victoria General Hospital in Winnipeg and St. Anthony's General Hospital in The Pas, Brandon General Hospital, the Flin Flon General Hospital, just to name a few. So I believe when you look at it from that point of view, I think it's a great thing to be able to help the local people as far as the municipalities and hospitals and so on are concerned, that the money derived from the Corporation stays

in the Province of Manitoba for the benefit of the people of Manitoba who need it of course.

MR. STEEN: Mr. Chairman, could the Minister tell us what rates these moneys are invested at? And are they—I agree with him that the particular area that the money is invested in is a very charitable area and no one can argue against investments in hospitals and municipal bonds, etc.—but are these investments bearing similar interest rates as would be earned in the private sector?

MR. BURTONIAK: I believe Mr. Dutton has something on that.

MR. DUTTON: I have of course the complete breakdown, Mr. Chairman, of the investment and the interest rates and I wonder, Mr. Chairman, if it would be all right if we presented the Committee with them because to go through it it would take quite a period of time and it would be confusing because they vary of course.

MR. BURTONIAK: I would think, Mr. Chairman, if we have enough copies, I think it would be only . . .

MR. DUTTON: I haven't got them here but, I'll . . .

MR. BURTONIAK: Well, we can decide. . .

MR. STEEN: Mr. Chairman, perhaps the General Manager could just give us a general outline as to the interest rates, maybe a low and a high.

MR. DUTTON: The interest rates, of course, vary quite substantially. It depends upon many factors. I'm sure you appreciate that many of these securities were not necessarily purchased on a given date, in other words, put on the market on a given date. They vary and the maturity dates vary, so the rate of interest goes all the way up to in excess of 11 percent here some of them.

MR. STEEN: Perhaps you can indicate what the lowest interest rate is.

MR. DUTTON: The lowest one, I see one in here for 6 percent but most of them I assure you are in excess of 10 percent.

MR. STEEN: That particular one at 6 percent, is that a short term note, or. . .

MR. DUTTON: No, what I'm talking about here are so-called long term investments. Short term,

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we define as anything under a year. These are all over a year. Short term money is usually put out on perhaps the bank paper. But this one at 6 percent, it's December 1st, '77, '79 and it was for an amount of \$8,000.00. I can give you the figures and what it was. It was a school district too and a very small amount of money.

A MEMBER: Which school district?

MR. DUTTON: I'll be glad to give them all, it runs into pages, that's the only reason I'm not reading them all out, but I'll be glad to give them to you.

MR. BURTONIAK: Well, Mr. Dutton has those copies and we will distribute them to members of the Committee who are interested.

MR. CRAIK: How much trouble would it be in another year to include that in the Annual Report?

MR. BURTONIAK: No problem, Mr. Chairman, this is the first time we put this in. Fair enough I think we can make a note of that.

MR. CHAIRMAN: Mr. Steen are you through with your question? Mr. Einarson?

Page 2—pass; Page 3. Mr. Steen.

MR. STEEN: On Page 3, it's spoken of as to claims offices, can the Minister or the General Manager tell us how many claims offices there are and give us a bit of a breakdown?

MR. BURTONIAK: Mr. Chairman, is the member referring to drive-in claims, or ordinary claims offices. I believe, Mr. Chairman, I'll ask Mr. Dutton here, but there is a difference.

MR. DUTTON: There is a difference. We've endeavoured to decentralize as much as possible to give the people in the various communities in the Province the claims service we feel they ought to have and therefore, there haven't been enough claims

in certain areas for us to put in a fully fledged drive-in claims service. We've had claims offices, so there are two functions really. There is the drive-in claims service set-up and also claims offices which may just contain one or two adjusters and a secretary.

What we have of course is a drive-in claims service in Winnipeg and there are four such centres plus a commercial centre and there is also a drive-in claim service in the mill for Brandon. There's a new building being constructed there. There's one in Selkirk, one in Portage La Prairie, a claims service in Dauphin. We have one in Flin Flon, The Pas, Thompson and the latest one we've got is at Steinbach and that's just a claims office.

MR. STEEN: Mr. Chairman, a claims office consists of, I believe, the General Manager said one or two persons and a claims centre has a number of adjusters and staff.

Speaking of claims, obviously the Corporation uses a legal service, can the General Manager or the Minister responsible tell us who the department uses for legal services?

MR. DUTTON: Yes, I'll answer that. For the most part we have our own legal department which handles claims. It's not our policy to farm out, if I may use that expression, it's a legal word to refer to outside help. For the most part we use our own lawyers on staff.

MR. STEEN: When you do farm out legal work, can you tell us who you use?

MR. DUTTON: I could get a list of who has been used. I don't know off-hand. The decision is left, I don't make the decision, I leave it up to the legal department because they are certainly more familiar than I would be with the expertise required from any lawyer to handle a specific case. I leave it up to them to indicate. If you like I can get a list of the firms we have used in the past.

MR. STEEN: I think perhaps, Mr. Chairman, that would be welcomed at a future date, if the General Manager could supply us with that information.

MR. DUTTON: I'd be happy to.

MR. STEEN: I have another question regarding the legal work. Do we, or do Autopac farm any of the legal work outside of Manitoba to legal firms outside of the province?

MR. DUTTON: Yes. It is necessary for us of course, obviously, to use lawyers outside of the province because at times the claims do occur outside of the province and in the event that it is a small claim our legal department will make their own decision, but we should tell you that if it's a very large claim indeed then the reinsurers, for the most part Lloyds of London, who will be paying out most of the money in case the award goes against us, do indicate what legal department they wish to use because they have certain legal help they use in this country. But that rarely happens but it can. I'd be glad to give you the names of the people we use outside the province too. I don't know them off-hand but I can certainly compile them.

MR. STEEN: Mr. Chairman, it has been brought to my attention that the Premier of the Province of Saskatchewan, Mr. Blakeney, is a partner in a legal firm in Regina and that his firm that he is associated with does a lot of work for the Manitoba Public Insurance Corporation. Can the General Manager or the Minister comment on that or answer the question?

MR. DUTTON: I'd be very happy to comment on it. I'm not aware that we are using that particular firm at all. I know we don't have that many cases in the Province of Saskatchewan but I can check specifically to find out how many cases we have given that specific firm if you like.

MR. STEEN: All right, Mr. Chairman, perhaps the General Manager, when he supplies members of the Committee with a breakdown of the private and outside legal services he could also tell us if he is using that particular firm from Regina.

MR. DUTTON: I'd be glad to.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Yes, Mr. Chairman, I wonder if the Minister could give us the cost of the claim centre that was constructed at Selkirk in 1976, construction cost?

MR. BURTONIAK: Mr. Chairman, if I may, just to get back, if the Member for Minnedosa will allow me to get back to the last question asked by the Meer for Crescentwood about the legal firm in Saskatchewan. There is some thought that perhaps the Premier of Saskatchewan may be part of a firm and I am just wondering even if that firm were used, and I'm not saying it was, what seems to be the problem that seems to bother the honourable member. I don't think that we should be too concerned about that. I don't think we are dealing with the Premier in Saskatchewan. I don't know if we are using that firm at all but I'm just saying that even if we did I'd like to know from the member's point, why he is asking these questions.

MR. STEEN: Mr. Chairman, the appointment of professional services whether it be an architect to do work for Public Works or legal firms to represent a department of government is a service that is usually not tendered out. It is a service that is obtained through appointment by that particular department and I'm just wondering, and I did ask the question, if the Premier of Saskatchewan's legal firm was getting any legal work from the Manitoba Public Insurance Corporation. My reason for asking the question is twofold; one, a conflict of interest, and secondly, whether there was political patronage. That's the reason I asked the question and the general manager of the corporation has said that he will supply the members of the committee with a list of the private legal firms that are being used by the corporation, and he would investigate and see whether the Premier of Saskatchewan's legal firm is actually doing any work or not.

MR. BURTONIAK: Okay, fair enough.

MR. CHAIRMAN: Mr. Johannson, you have a particular point?

MR. JOHANNSON: Yes, I'd like to follow up on that. The former Premier of Ontario, Mr. Robarts, is also a member of a legal firm. Would the Chairman of MPIC also check into whether Autopac is dealing with him, since we're dealing with innuendos here we may as well cover half the country as just Saskatchewan.

And I would like to also point out to members of this committee that while the Tories were the government of this province they gave all of the business of the Manitoba Development Fund to the firm of Walter Newman and I have an order for return showing that they paid out, over a period of less than ten years, almost \$400,000 to that one firm. There was no contracting out. There were no tenders put up for the work. It was simply handed out to a good staunch Tory in this province. — (Interjection) —

MR. CHAIRMAN: Order please. I don't see the particular . . .

MR. JOHANNSON: Now, Mr. Chairman, instead of indulging in innuendo, if the honourable members don't have any facts to place before us — (Interjection) — Look, the honourable member is placing innuendo before this committee. If he has some facts let him lay them before the committee otherwise let him do some research, before he starts putting innuendo before the committee. He asked a stupid question.

MR. CHAIRMAN: Order please. Mr. Blake.

MR. BLAKE: Yes, Mr. Chairman, I assume the Minister has got the . . . Now that I'm back on the subject of the day maybe we can get back to the statement of Autopac instead of a bunch of garbage and political flak that is being thrown up by the Member for St. Matthews.

I'd asked the question about the Autopac Claim Centre at Selkirk, the construction cost. If the Minister has that now . . .

MR. BURTONIAK: Yes, we have. Yes, Mr. Chairman, the building cost in the Town of Selkirk was \$364,920.00. That's just the building cost not including the land.

MR. BLAKE: And who are the construction contractors?

MR. BURTONIAK: I don't know. I can't answer that question.

MR. BLAKE: It doesn't matter. . . It just escaped my memory, that's all.

All right, could the Minister tell us how many more claim centres are planned this year, in the 12, 18 months of . . .

MR. BURTONIAK: Yes, there is one, Mr. Chairman, one has to be planned, but I can go back a bit and say that one was just completed in Portage la Prairie and it might interest the member to know that one is planned in the Town of Dauphin.

MR. DUTTON: There is a major construction in Brandon.

MR. BURTONIAK: Brandon, that's right. And that is under way now.

MR. BLAKE: And that is the head office building of Autopac that has been constructed in Brandon.

MR. BURTONIAK: That's right.

MR. BLAKE: How many employees will that employ in Brandon, Mr. Chairman?

MR. DUTTON: Well we anticipate that we will have about 100 in Brandon, that's right.

MR. BLAKE: And there will still be roughly 600 in Winnipeg in the branch office.

MR. DUTTON: A little less than 600, yes.

MR. BLAKE: That's fine, Mr. Chairman.

MR. STEEN: Mr. Chairman, through you to the Minister or the general manager, recently on one of the major television networks we saw a Sunday night production of cars that were being stolen in Quebec and shipped out or driven out to Alberta and sold in Alberta. And the method of stealing these cars was to go to salvage lots and remove serial numbers and placing these serial numbers on stolen cars. Therefore the sale of the stolen car was made that much easier. Could the general manager tell us if the salvage lots that the Public Insurance Corporation have remove the serial numbers for cars that are placed in the salvage category ?

MR. DUTTON: The answer to that is the plates, as I understand it, are not removed. I do believe that there is more than one location on a vehicle to get the serial number off that vehicle and the mere removal of a plate doesn't necessarily, as I understand it, remove the identification of that vehicle, the serial number. But to be specific and to answer your question specifically, the answer would be "No".

MR. STEEN: Mr. Chairman, to Mr. Dutton, is it impractical to remove the serial numbers?

MR. DUTTON: No, I don't think it would be impractical, Mr. Chairman, to remove the serial numbers. At the present time, however, we are selling vehicles as is with the notation that they are not sold in a roadworthy state. We have not made any attempt to remove the serial number plate from the door itself or the door jamb.

MR. STEEN: Mr. Chairman, in the province of Quebec the value of stolen cars is considered to be four times the amount of money that is stolen from bank robberies. Could the general manager comment as to how Manitoba sits as far as stolen cars and automobiles.

MR. DUTTON: Well our frequency of stolen cars, and that's all I can relate to, is not anywhere near that great at this point. I don't have the statistics of what is taken from the banks in this province but I certainly assume that the amount of money we're paying out doesn't begin to equal what is picked up by people without making a proper withdrawal from the bank. I can get you the exact number of vehicles that are stolen and the amount of money that is paid out here but, and if you're referring to people that may buy our cars at salvage and then take off the plate and get into some organized group that were using them for that purpose in Quebec, then I don't know.

MR. STEEN: Perhaps, Mr. Chairman, we'll ask the honourable Mr. Boyce if he will get us those figures from Stats Canada. He seems to have a direct line with Stats Canada.

MR. CRAIK: Mr. Chairman, we were talking about legal matters here and I assume that was the right place to deal with them. One question that I wanted to ask it seems to me that a year or so ago MPIC or Autopac was either suing or threatening to sue, I think suing, or proceeded to sue the Winnipeg Free Press with regard to a disagreement with regard to their operations. Can the Minister or the Chairman advise me whether this lawsuit is still under way or is it finished, or what.

MR. BURTONIAK: Still pending, Mr. Chairman.

MR. CRAIK: Is it the intention of the government to continue with this?

MR. BURTONIAK: I would think so, yes.

MR. CRAIK: In this particular case do you use your internal lawyers as well, or is this outside . . . ?

MR. BURTONIAK: No, outside lawyers, Mr. Chairman.

MR. DUTTON: I don't think it is any problem telling who the legal firm is. It's Mr. Arpin. You know him.

A MEMBER: Well that was indicated before.

MR. CRAIK: Well, Mr. Chairman, it seems to me that this was pending when we had the Autopac report a year ago. Has nothing happened on this case since ? Is it not somewhat unusual to have a case sitting for a year with nothing further to report one year later ?

MR. DUTTON: Well all I know is that it's in the hands of our legal advisors, as to what state it's in . . .

MR. CHAIRMAN: Page 3—pass; Page 4—pass. Mr. Steen.

MR. STEEN: The Member for Minnedosa was asking the general manager regarding the Brandon head office and the Winnipeg head office, or the Winnipeg branch office, I guess, which would have about six times as many employees as the head office. Can the Minister refer to the property purchased on Main Street and tell us exactly what was paid for that property which I believe was a former hotel?

MR. BURTONIAK: Well, Mr. Chairman, I don't think that I can answer this question at the present time. I think that perhaps that information could be gathered from the Department of Public Works. I don't have that information here. Public Works should be able to get it.

MR. CHAIRMAN: Right. Mr. Steen, I think you should be aware that the question has been asked in the House a year ago, that this is a matter for the Department of Public Works, and possibly Mr. Uruski might have some light on it. Thank you. Mr. Steen.

MR. STEEN: Mr. Chairman, if the question was asked last year and was asked in the House, I don't think it is out of order to ask the Minister if he would supply us with that information. He had twelve months warning then, if he was asked a year ago.

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MR. BURTONIAK: Mr. Chairman, I would say that the Honourable Member for Crescentwoodn—could keep that in mind and the Minister of Public Works, whose Estimates will be coming up shortly, and no doubt that this is where he can pursue that type of questioning, as a suggestion.

MR. URUSKI: Thank you, Mr. Chairman. We were discussing legal firms before and this building. The question on the building *per se* was dealt with last year and it was indicated that the Department of Public Works was doing the construction and the Corporation would be leasing from the province, as the construction dealt with also the Motor Vehicle Branch. Secondly, as part of the question that they've taken as notice on legal firms, I'd like to ask as well whether MPIC was using the legal firm that the Premier of Alberta is a partner in and supply that information as well.

MR. CHAIRMAN: That question has been noted. Mr. Blake.

MR. BLAKE: Yes, I just regret that I am not a member of a legal firm to get some of this business. I just wonder while we're on claim centres, do you lease any claim centres in the province and if you lease them, where are they?

MR. DUTTON: Well, we have all this renting space, if you wish to call it leasing. It's perhaps on a yearly basis or maybe two years at the most, or sometimes from month to month. Places we have, in Flin Flon, The Pas, Thompson, and . . .

MR. BLAKE: It may be some detail, Mr. Chairman. I wonder if the general manager could list the leased premises and the monthly rental and provide that to us at a later date, if there is going to be some detail. I thought there might have only been one or two . . .

MR. DUTTON: I'll get it for you.

MR. BURTONIAK: I would suggest, Mr. Chairman, that perhaps the staff is noting some of these questions down and perhaps it might a good idea to keep that in mind and enclose some of this information for next year's report so it would be easier to follow. Unless the members want to get the answers much sooner than that. Some of the questions asked might . . .

MR. BLAKE: I'll get to that, and that can be done also.

MR. CHAIRMAN: The general manager indicated that he will have that information made available and I'll make it available to the members of the committee. Let's proceed. Page 4—pass. Mr. Steen.

MR. STEEN: Mr. Chairman, my question to the general manager regarding claims. If a person is charged, Mr. Dutton, with fault in an accident, does that have a bearing on the driver's licence fee for the next year for that particular person?

MR. DUTTON: If the terminology that you use is singular, in an accident doesn't but if an individual has two accidents in which he is fifty percent or more at fault in his twelve months of his licence year, on his driver's licence, that is between his birth

dates, then he is surcharged. But there is total forgiveness of this in the next year. And that is the only surcharge that he gets for accidents, the only method that we have, if you know in the conventional system it is the owner of the vehicle that gets the surcharge and they are surcharged for accidents for a period of three years, I believe, if I'm not mistaken.

MR. STEEN: Mr. Chairman, the additional charge to a person's driver's licence over the normal fee that is charged to a person, does the revenue from that go to the Public Insurance Corporation?

MR. DUTTON: Yes, that is correct. That's right.

MR. STEEN: Could the general manager tell us then, the number of claims, either the number or the percentage of claims that are settled on a 50-0 basis, where both parties are charged with 50 percent?

MR. DUTTON: No, but I can assure you we looked into this situation and it is very small indeed. And I've forgotten . . . I can get the figures but it is something less than five percent, three percent I think. But I can give them to you. We didn't bring them forward but we certainly made this study because we were interested in this ourselves. And it's very small.

MR. STEEN: Mr. Chairman, the former Minister responsible for the Public Insurance Corporation is giving us the idea or telling us that there is a very very small percentage of claims that are settled on 50-50 and that one party is usually charged with more responsibility than the other party. Is that what the general manager is . . . ?

MR. DUTTON: That is correct. The contributory negligence of straight 50-50 is the exception rather than the rule.

MR. STEEN: And, Mr. Chairman, the reason I asked that question naturally is because of the revenue that is received through the driver's licence if both parties are charged therefore there are two parties that are receiving additional points on their licence and therefore the corporation could receive more money through higher driver's licence charges.

MR. DUTTON: In theory, that's correct but in practice that is not what happens.

MR. BURTONIAK: I think there is no misunderstanding but lest there be a misunderstanding when we talk about accidents in a year, I do know a lot of people seem to think so, maybe members of the committee don't, they understand, but when we talk about a year it's not the calendar year, it's the year from the time the first accident happened. You know, it's not a calendar year, it's just the time of accident. —(Interjection)— No, but they actually charge.

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MR. CHAIRMAN: Page 4—pass; Page 5—pass. Mr. Craik.

MR. CRAIK: On making reference to the two Page 5 you're operating divisions then. In your opening statement you indicated that the rates for 1977 would stay flat. Now are you referring to the general insurance, as well?

MR. BURTONIAK: No. In my opening remarks, Mr. Chairman, when I referred to rates I was referring to automobile rates, not the general insurance rates.

MR. CRAIK: Okay, first of all automobile rates. Are your rates on the new cars going to stay flat?

MR. BURTONIAK: They stay the same as they were.

MR. CRAIK: What happens on your 1977 models?

MR. DUTTON: 1978 models.

MR. CRAIK: Okay, on your 1978 models?

MR. DUTTON: The 1978 models; no, they will take the same rating as they would if they had been a 1977 vehicle.

MR. CRAIK: Well, you don't seem to include the fact that on new models, when you say your rates are staying the same, it is the same if you , but have a 1975 or 1976 car. The rate stays the same if you are buying a new car, a new model, they have been going up about ten percent.

MR. DUTTON: No. I think this should be explained, Mr. Chairman. What had been done in the past was to add another category for new cars coming in, as you are aware, and we did not do this this year for the main reason that there are a number of vehicles being changed. The automotive industry is putting out smaller cars and lighter cars and in some instances cars that are not of as high a value as the previous models . Until this situation clarifies, we thought it would create some confusion and perhaps some injustices if we simply added another category. It was too simplistic to do that so we are making a complete study of what the vehicles are worth before we get into increasing the rating structure for any new cars coming on to the market. So if a person buys a 1978 car this fall, he will pay the same rate as he would for a 1977.

MR. CRAIK: Still under the automobile part of it, in view of the fact that a great many, if not the majority, of the co-operatives and private companies have reduced their rates for 1977 and also the BCIC has reduced their rates substantially, was consideration not given to actually reducing the rates like the majority are doing across the country?

MR. BURTONIAK: Mr. Chairman, I am glad the honourable member asked that question. You know if our rates had been at least somewhere near as high as the other ones, the ones the member is referring to, I am pretty sure the corporation would have been looking at the possibility of reducing but our rates were very far below those charged, particularly, in British Columbia and some other provinces where private insurance is doing the business. Therefore we felt there was no need to do so and furthermore I would point out that one company of course was forced to return some funds because of the fact that AIB insisted that they were overcharging. So they made over and above their normal profit, so to speak, and they overcharged over and above that. So that was the point where AIB came in and said you have overcharged, therefore you have to reduce your rates to bring it to a certain level.

MR. CRAIK: Is it not a fact, Mr. Burtoniak, if Autopac had been under AIB control that your allowable profit would have been something just under \$3 million? —(Interjections)—

MR. DUTTON: I don't want to get into what is shaping up to sound patent political but if I may from an administrative viewpoint, I don't think that the AIB would have asked any company whether it be public or private to return moneys to the motorist when they had an eighteen-point-some-million dollar deficit. Surely it would make good sense that the money they had received in that given year go to defray that deficit rather than to deplete the financial stability of that organization. I doubt very much whether they would have under that circumstance, no matter who it would be.

MR. CRAIK: Mr. Chairman, the deficit in one of your annual statements showed as an asset, you showed your start-up cost as an asset and perhaps you still do, which you are amortizing. But I don't know that that is a fact. If you had a deficit in a preceding year and a profit in a year under AIB control that exceeded the increase in the guidelines, I am not sure that they would allow you to pay off your full deficit but I am sure that there were many companies that did have deficits.

MR. DUTTON: No, I think the AIB made a ruling related to degree of profitability and previous years' deficits. I am not sure of the details of it because it didn't apply to us but I recall reading material of this type. But I can tell you that in the private sector, if it had been a private company with this type of a deficit, you would have had to make up the deficit or run afoul of the Superintendent of Insurance. It is because our plan is different and we have always admitted this that we are able to continue on with this type of deficit.

MR. CRAIK: Well, isn't it more likely that if it had been a private company with the deficit you had, it would have been bankrupt, it wouldn't even have been in existence?

MR. DUTTON: Oh, of course, I have always said that.

MR. CRAIK: But what you are saying by virtue of the difference is had the Autopac been under AIB control, that you get special consideration and in a period of inflation you can take immunity from it, whereas you wouldn't under normal circumstances if you were operating as a company not

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necessarily in a deficit position but in a break-even position with a gain of \$14 million or whatever it is, \$14.6 million on sales of \$70 million, that you would have probably been able to retain about \$3 million of it and the rest of it had to go back.

I don't necessarily, Mr. Chairman, accept your statement that the Autopac rates are necessarily lower than everybody else's rates across the country. It depends what you are comparing. — (Interjection)— Well, it depends what you are going to compare it to.

MR. BURTNIAK: No, no. Actual rates.

MR. CRAIK: Your preferred rate for a person in a certain category, you might. . . It depends who is going to present the statistics as to who is going to come up with what results.

I wonder, number two question, Mr. Chairman. If you say the rates on the Autopac portion will be the same in 1977, what has happened on the other aspects of business in the general insurance?

MR. DUTTON: The rates on general insurance, and again in this field we are competing nose-to-nose with the private sector, and the rates I think are in keeping with what they are charging in some instances. In some categories we are lower and in some categories we haven't got the best deal. But I think that is commonplace in the marketplace when you are in a competitive field.

MR. CRAIK: But what happened in this year relative to last year? Your rates, how much have they gone up?

MR. DUTTON: It depends. We cannot say the rates have gone up any specific amount. I think the year under review, I don't think we increased any rates as a group but I am sure you will agree that so many factors go into rate-making on a commercial basis that you may want to charge a higher rate on a commercial risk than you did the year before but that might deal with the risk itself and have nothing to do with the category of outfit it falls into. I will give you an example that is well known. In restaurants the insurance industry doesn't look too favourably on insuring a restaurant unless it has got carbon dioxide in the hood over the heating unit, you see. And of course their rate comes down if they make this installation and these types of things. So to give a black or white answer to your question is virtually impossible. But the tendency has been of course over the last two years for an increase generally speaking in property insurance rates in the general insurance field.

MR. CRAIK: Yes, it seems to be possible to compare automobile rates in certain categories when you know there are X number of different categories and the same, I would think, is true in general terms. What is the case of a person that owns a home in Portage la Prairie?

MR. DUTTON: You can compare homes. You can compare rates with homes and I think you can fairly well compare rates on farms. But I am talking on commercial rates. It is extremely difficult because each building arrives at its own rate.

MR. CRAIK: Well, has the rate on domestic habitation gone up?

MR. DUTTON: Not in the year under review. We didn't make any increase in the year under review, no.

MR. CRAIK: In your total portfolio you now hold in insurance, if it were to remain the same and you had the same policies in 1977, as an average in your general insurance section, are you planning increases in your revenue?

MR. DUTTON: Yes. We are planning increases in the revenue but not through the basis of increases in rates. We have a look at the habitational risks as to what the rates ought to be and of course we had no experience, as you know, to start off with because we weren't writing any business. The increase or decrease in rates will be dictated to by the experience and at class. The rates were set in May, 1975, and now, 23 months later, we have increased some from five to ten percent and decreased some by about three-and-a-half percent so it varies. — (Interjection)— About 35 percent. Decrease about 35 percent.

MR. CRAIK: You went through a period of time where your automobile costs were escalating very rapidly. . .

MR. DUTTON: Yes.

MR. CRAIK: . . . and in the last year or so Autopac along with the entire industry in North America has gone through a period now where through speed limit changes or seat belt legislation or for some other reason there has been an approved experience in accidents and so on. Is the same thing happening in the general business as in automobile or is there any relationship?

MR. DUTTON: Yes. Generally speaking the picture is improving in the general business. And now we are talking about a global picture rather than just the province here because we can only tell you what our experience is to date. But I think it is safe to say that throughout Canada particularly that the picture in the general insurance is improving. It is improving not because there are fewer fires; it is improving because the companies have tightened up wordings and have increased their rates. That is really the reason and also the insurance companies, many of them, have reduced commissions to their agents and that accounts for it.

MR. CHAIRMAN: Mr. Johannson.

MR. JOHANNSON: Yes, Mr. Chairman, I would like to congratulate Autopac on using good, sound business practice in not reducing its rates this year. And you know I think the Tories are being

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hypocritical as hell. After the 1973 reduction in rates rates I can recall the screams from the opposition that it was a political move to cut the rates of Autopac. Now we are not cutting them and they are asking for cuts. If we had cut them this time, they would scream about political rate-setting, just as the Free Press did scream and is now asking for rebates. —(Interjection)— Yes, I think Autopac is behaving very responsibly.

Now, Mr. Chairman, Mr. Craik raised the question of comparability of rates and I have a comparison of rates which perhaps Mr. Dutton could confirm or not confirm which was recorded in an article by Nick Hills, Southern News Service, November 30th, 1976. And he quoted a rate for a 21-year-old male driving a 1976 Ford Granada with one accident during the past twelve months who would pay premiums of \$2,022 in Montreal (you may be familiar with the example), \$1,446 in Calgary, \$1,425 in Toronto, but only \$1,102 in Vancouver. The comparable premium charged by Autopac in Manitoba — that is for \$100 deductible, \$100,000 third party liability including \$13.00 for driver's licence and \$15.00 gas tax user's fee — would be about \$275.00 Now does this sound accurate, Mr. Dutton?

MR. DUTTON: There can be no question, and I am sure anyone here can check it out, that anyone who has been involved in accidents and is under the age of 25 does pay a huge premium in other provinces and those figures would be roughly about what you mentioned. I might tell you too I had a worse figure than that. Simply for public liability coverage in New York City, a young person would pay \$3,000 a year premium. And these figures were given to us by the industry within the last year.

MR. JOHANNSON: What was that again?

MR. DUTTON: \$3,000.00.

MR. JOHANNSON: \$3,000.00 for public liability alone in New York City?

MR. DUTTON: Yes, that is what we were told.

MR. JOHANNSON: And that would be, I imagine, minimum coverage.

MR. DUTTON: That is what we were told by the people in the industry themselves. But mind you, there is certainly a difference in driving a New York. Well, maybe not on Portage sometimes.

MR. JOHANNSON: I would like to ask another question on this same line. My impression is that rates are generally lower in this province than other provinces and I have the insurance premium notices of a young fellow who used to live in my constituency, moved to Thunder Bay, Ontario, and finally moved back because of the high cost of living in Ontario and the lower cost of living in Manitoba. I would like to pass these on to Autopac but —(Interjections)—

MR. CHAIRMAN: Order please.

MR. JOHANNSON: This man was 25 years of age in 1976. This is in Thunder Bay, 25 years of age, and he paid — he only got six month policies — but he paid in total for six months \$271 and \$285 which adds up to . . .

MR. CHAIRMAN: \$556.00.

MR. JOHANNSON: \$556.00

A MEMBER: Harry is quick this morning.

MR. JOHANNSON: It's a 1971 Ford. Half the time he had \$100,000 liability; the other half, \$300,000; medical, \$5,000; death, \$5,000; total disability maximum, \$70.00 per week; collision, part of the time he had \$250 and part of the time, \$25.00 Now I can pass these on. In a comparable area in Manitoba, according to this for a 1973 car which is two years newer, he would pay \$171.00. Now that's in Brandon, comparable to . . .

MR. DUTTON: Rural rates, yes.

MR. JOHANNSON: Could you check these figures out for me and find out what he would have paid last year? Now this falls largely within your 1976 financial year.

MR. BURTNIAK: Sure.

MR. JOHANNSON: So he would have paid roughly a third, would he, here?

MR. DUTTON: I think so, from the figures that you have quoted.

MR. JOHANNSON: One-third of the price he would pay in Thunder Bay. That is interesting to know' another plus for Autopac. I have some other questions but I will save them for other later.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: I have a question on the next page, Mr. Chairman.

MR. CHAIRMAN: Page 5—pass? Mr. Uruski.

MR. URUSKI: Mr. Chairman, there were questions raised about the AIB and the cost pass through and the reduction of premiums by the private insurers. Would a private company, had they calculated their investment income into their total revenues over the years, would that have — or in the present accounting that they do, do they calculate their investment income as part of their premium earnings?

MR. DUTTON: The private sector's philosophy has always been that the premiums have to stand on their own feet. In other words the premiums say of cars would have to be sufficient to pay the administrative cost plus the cost of claims and that any moneys that they had lying around which would be sizable ought to be invested, which is understandable. But the money that they receive from that investment would not be put into rate-making at all, but would be really for the benefit of the

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shareholders. And that has been the policy they have always used. We're talking about stock companies now not mutuals.

MR. URUSKI: Would it then be a fair comment that . . . if their total income would be calculated that the revenues of a stock company would have, over the years, changed substantially in addition to what they showed on their books as strictly premium income?

MR. CRAIK: On that question, Mr. Chairman. If you take the large companies in Manitoba which are the mutuals and the co-ops which basically are the same in that there are no shareholders involved in the companies and there are no profits as such, I think you will find — and you were here during the Autopac debates and you probably found that most of them, being mature companies, exist and could only exist by virtue of the return on their investments. If you added up all the underwriting return you would end up in the red. I am sure Mr. Dutton knows that for the likes of Portage Mutual and Wawanesa and the co-ops, if you put them all together, that if you added up the two columns you would find that the underwriting gain over the years, perhaps 20 years, is . . .

MR. DUTTON: Unfortunately there is a great deal of truth in that but I don't think it was planned that way, it was just the way the industry is and of course inflation has hit everyone. There is no question about it, they have all had a bad time in the last few years. I imagine, particularly with the co-op that you are talking about, if we added up their figures where they are a fairly new company, about 20 years old, it may not be as successful a figure as, for instance, the Wawanesa who have been operating on a very sound basis over quite a few years and perhaps no doubt able to build up a good book of business and good accounts to tide them over in the rough years.

MR. CRAIK: Mr. Chairman, I want to ask this other question along the lines of the inquiries of the rate structure by Mr. Johansson. He picked out a number of examples here to do comparisons. But, in overall terms, when Autopac came in the total insurance premiums in Manitoba were about \$35 million and your statement here indicates that when you add in your total income, gasoline revenue, drivers' insurance and others, you are now at \$95 million. So you have gone, say, from \$35 million to \$95 million over the period of time of six years. This is 1976 so I guess five years of operation. In five years of operation the premiums have more than doubled, closer to tripled, but still the examples you are tending to use would not indicate such. Now, you must be making the money from some place to have brought in almost three times as much money as what insurance costs. I know there has been an increase in the number of vehicles of 20 or 30 percent, but even if you take that into account, there is still twice as much money spent on insurance now as there was then.

MR. DUTTON: Mr. Chairman, the claims have gone up proportionately too. There is no secret that in six years the cost of many items have doubled and tripled. We have, of course, many other factors involved. There were a number of uninsured vehicles prior to Autopac and also remember that prior to Autopac not many vehicles carried what is called accident benefits and that is what we call Part II of our Act and now everyone has it and every vehicle is insured. There is an increase in the number of vehicles, increase in the amount of claims that are paid out as a result of the increase in coverages. I think it is just logical to assume that the cost has to go up to cover the outgo. The outgo, of course, as you know, is now running at double of what you say the premium income was in 1970. And obviously if the private sector had been faced with that it would have had to do the same thing, increase their rates substantially. There is nothing mysterious about it. I would suggest that it is a matter of simple arithmetic that if you are going to be faced with a certain number of claims, you have to have X number of dollars to cover it.

But I think the important feature here, Mr. Chairman, is the fact that we have been able to do this with an acquisition cost or a cost of doing business of only 16.6 percent which definitely is the lowest in Canada.

MR. CRAIK: The other point I wanted to make in this reference to your opening statement. I think you said that your cost ratio was somewhere around 17 percent.

MR. DUTTON: 16.6 percent.

MR. CRAIK: 16.6 percent, but if you take the ratio of your expenditures, if you really returned to your policy holders 68 percent of your premium dollars collected — now, isn't that the usual yardstick? The amount of money paid back compared to the amount of money you took in is 68.1 percent.

MR. DUTTON: By what factor? By whose arithmetic?

MR. CRAIK: Well, take your ratio of the money paid out . . .

MR. DUTTON: Yes, but whose yardstick, Mr. Chairman? Our yardstick or the industry's yardstick?

MR. CRAIK: Well I am assuming they are both the same.

MR. DUTTON: No they are not the same.

MR. CRAIK: If there is a difference, you can explain this but in the simplest terms, the effectiveness of an insurance company, by your yardstick as I understand it, is, how much do we pay out compared to what we take in.

MR. DUTTON: That's right.

MR. CRAIK: If you take the ratio of what you paid out, the cost ratio is not 16 or 17 percent, it's 22

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percent, 32 percent. You kept 32 percent of what you took in.

MR. DUTTON: Oh no.

MR. CRAIK: Well your payback is 68.1 percent on the dollar.

MR. DUTTON: We'll give you the figures. You are just comparing to one year—here which happened to be a very fortunate year for the corporation when it comes to surplus. Perhaps, Mr. Chairman, he would be interested in what we have paid back since inception until the end of last month if you like and we have those figures.

MR. CRAIK: Well you are taking in deficits then though.

MR. DUTTON: Well certainly we are taking in deficits. In some years we have paid out over 100 percent of what we took in.

MR. CRAIK: You are going to use the opposite ends of it because you are still in deficit position.

MR. DUTTON: I am trying to present, Mr. Chairman, the complete picture if the Committee is interested in it. What we have paid out since inception — that isn't the moneys we have taken in — is 86 percent. Our goal was to be able to pay out 85 percent and still show a surplus. These are the instructions we received. We have paid out 86 percent as at the end of February and that is from inception which, if you want to know, really leaves us with a deficit up to that period of time, up to the end of last month, of \$582,000 which, if this month has been successful or not, in March — and we won't know — it simply means that Autopac is entirely in the black, not a deficit.

MR. CRAIK: How do you square this with your . . . the arithmetic here doesn't indicate that your deficit is done. You have reduced your deficit. Your statement, I think, says today that your deficit is \$8 million.

MR. DUTTON: Yes, I know, but I gave it to you at the end of February. I gave you another four months over and above that figure there. I gave you an up-to-date figure.

MR. BURTONIAK: Mr. Chairman, if I may, the report before you is as of October 31, 1976. What now we are talking since then Mr. Dutton is referring to, in the new fiscal year.

MR. CRAIK: You are now bringing in November, December, January and February, another four months.

MR. DUTTON: A third of a year.

MR. CRAIK: You are calculating your earned premiums and equating it and coming up with your figure for the mid-year statement.

MR. DUTTON: Yes. What we do obviously for administrative purposes is get monthly reports and you understand that good business would dictate that we do this so we can control expenditures and although our income is set, obviously we take the amount of earnings per month and as the year progresses we give ourselves a picture as we stand at any given date. We can also project those but you have got a couple of unknowns as to how you would come out at the end of the year. But the figure I gave you was to show you that at the end of February, in total, the corporation is about half a million dollars in the red and I am suggesting that will certainly be removed before the end of this year that we are in now.

MR. CRAIK: You are saying that your profits in 1977 then, your projected profits for this current year are going to be such that you can erase your deficit.

MR. DUTTON: Yes, that is right.

MR. CRAIK: On the basis of normal procedures of . . .

MR. DUTTON: Yes, yes on the basis of normal procedure.

MR. CHAIRMAN: Mr. Johannson on the same point.

MR. JOHANNSSON: So, Mr. Dutton, the present deficit as of October 31st, 1976, is . . .

MR. DUTTON: Eight million.

MR. JOHANNSSON: Eight million and you're projecting that that deficit will be more than wiped out. You are projecting that at the end of this fiscal year that deficit will be more than wiped out.

MR. DUTTON: That is what I am suggesting, Mr. Chairman, and the insurance business rating is not an exact science, you cannot foresee what is going to happen, and I could be proven wrong, but I am quite sure, I would be willing to bet money on it, that we will wipe out that deficit because I have taken care of any chances of a catastrophe by putting up a \$4 million catastrophe reserve, so we should be able to wipe out the \$8 million deficit in addition.

MR. JOHANNSSON: So you are projecting that you will not only have wiped out that \$8 million deficit, but you will also have built up a reserve, the 4 million-plus reserve, plus an additional amount into the reserve.

MR. DUTTON: That is right.

MR. JOHANNSSON: Well that is a very impressive performance. And you have done this with an expense ratio of 14 percent over the . . .

MR. DUTTON: No, the expense ratio is about 16 percent . . .

MR. BURTONIAK: You said it was 17, it was 16.

MR. JOHANNSSON: 16.6 this year. But you say that over the past five years you have paid out 86 percent which has left you with a deficit.

MR. DUTTON: Yes. If we had a 14 percent we would have been able to break even. So the expense

ratio was higher than 14. I don't think we can hope, frankly, to get the expense ratio lower than we have it this year. Goodness, we are faced with all kinds of increases. As you know, the insurance business is people on paper really and that salaries go up, the cost of printing, postage and telephones, you name it, the cost . . . business goes up. I don't see we can possibly lower it below 16.6 percent.

MR. JOHANNSON: Okay. On the matter of the expense ratio, you averaged it out over the period of Autopac's operations. In 1970 when we were dealing with the question of setting up MPIC, I looked at the past reports of the Superintendent of Insurance, and the expense ratio of the industry over quite a period of time was, as I recall, roughly about 35 percent. Now I have seen reports, for example the Quebec report, which indicates that over the past while the private industry has had an expense ratio of something like 40 percent. Is this correct?

MR. DUTTON: Yes, there is no question that the cost of doing business and the method they are using is higher.

MR. JOHANNSON: But they are more than twice as high in terms of expense ratio as Autopac.

MR. DUTTON: I think that is a true statement.

MR. BURTONIAK: Just to follow that up a bit without prolonging the discussion. When we talked about the administrative costs as between the MPIC and the private insurance, history has proven in the last five years at least, that we were operating in the area of around 17 percent of the premium dollar, which has now been reduced in Manitoba to around 16, as compared, as close as we can compare it, to approximately 36 percent of the private companies.

MR. JOHANNSON: Okay. So you accumulated a surplus last year of \$14.7 million with an expense ratio of half the private industry, less than half, and the same thing . . . between private industry and the rest of the country, and you also are accumulating a surplus this year with a similar expense ratio, about half that of the private industry or less, and at the same time you have the lowest premiums in the country generally. —(Interjection)— Well that is something that I think the people of this province can be proud of.

MR. CHAIRMAN: Page 5—pass? Mr. Craik.

MR. CRAIK: What do you call the expense ratio? What figures do you use?

MR. DUTTON: Our expense ratio includes — and if you turn to Page 9 it gives you a rough explanation of what expenses are. It includes the adjusting of claims of 8.1 percent and that is all the adjusters. We pay the cost of adjusting claims as an expense. The private sector in most respects show it as "in claims" and not as an expense. We pay 2.2 percent premium tax. And in addition to that, the rest is administration and commission of 6.3 and that includes agent's commissions of 5 percent, 5 percent and more.

MR. CRAIK: Okay. Using that figure then, which is the one I was using — this claims you have paid out 68.1 percent of the dollars you took in in that year.

MR. DUTTON: Yes.

MR. CRAIK: Now in the answer to it, what ratio are you using? Are you saying, when you are going to average out at 15 percent, that that claims figure will be 85?

MR. DUTTON: If we had taken away that surplus of 15.3 percent, and that is the only difference here, that we have made a surplus of 15.3 percent which, of course, has not been the case in other years. The total figure that I gave you a moment ago, shows us with a deficit instead of a surplus, of half a million dollars. Therefore you get a better reading of what your true expense ratio was.

MR. CRAIK: Okay. Now just to get it into layman's language if possible, are you saying that on the long term basis that that claims figure should average out at 85?

MR. DUTTON: I hope not. I am saying on the long term basis, it was indicated to us that we ought to operate at 15 percent which would leave us 85, but I just said a few moments ago that I think 16.6 percent is about as low as we can get for administration costs. I would suggest if we can come in with between an 80 and 85 percent return on the dollar, we will be happy on a long term basis.

MR. CRAIK: Well, generally the yardstick that is used — and you can correct me — in the industry, is the amount of dollars paid back compared to the amount of dollars taken in.

MR. DUTTON: Yes, of course.

MR. CRAIK: . . . which works out to, I think, in this case say 68-1 . . .

MR. DUTTON: In the one year only.

MR. CRAIK: . . . is the usual yardstick claims ratio or expense ratio.

MR. DUTTON: In the one year only.

MR. CRAIK: The two of them should add up to 100 percent shouldn't they?

MR. DUTTON: The two add up to be 100 percent. But I want to tell you, as mentioned a moment ago that in that 100 percent, adding claims as opposed to administration, that the industry generally speaking, the cost of adjusting claims is part of a claim, not administration, and ours is the opposite. So it does make our figures even more pronounced than the industry when it comes to the return on the dollar that the motorist gets.

MR. CRAIK: Okay. I think that as far as a layman is concerned he wants to know how much you're paying back compared to how much you took in.

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MR. DUTTON: And I gave the figure, we paid back 86 cents on the dollar since Autopac was stated to the end of this year, and I suggest, Sir, that there's nobody can match that and still only have half a million dollar deficit.

MR. CRAIK: Okay. Come back to the question again. Are you saying that on the long-term basis that the claims against the company will pay back what percentage . . . ?

MR. DUTTON: I would say, I'd be happy with between 80 and 85 percent, that's the figure that I was getting at, and that's pure claims. That's no administrative costs in that percentage I gave you. That will not include the adjuster's salary for adjusting a claim that is done by the private sector, or in many instances legal fees, too.

MR. CRAIK: Then does yours include all the legitimate costs of the Motor Vehicle Branch and the people from . . .

MR. DUTTON: The Motor Vehicle Branch costs are included as part of our expenses certainly. We pay the Motor Vehicle Branch a sum of money and they pay . . .

MR. CRAIK: Were the people assigned from management committee to work on the MPIC and Motor Vehicles Branch during start-up costs all transferred back to . . .

MR. DUTTON: Anyone that was seconded to work for us I'm sure was paid. If we happen to ask the Attorney-General's department for an opinion it costs us money. I'm afraid to sometimes say "Good Morning" because that's asking an opinion and they're going to charge me for it. And the answer is we're not getting any services for free from the government that I know of. We pay the Provincial Auditor, we pay the Attorney-General, and we pay anyone else.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. Chairman, Mr. Craik was raising questions earlier when he talked about the dollar amount of premiums that the private sector took in, in say 1970. Could Mr. Dutton indicate whether a five percent increase in drivers and vehicles a year since that time, would be a high figure or an accurate asstion?

MR. DUTTON: Oh, I don't think that that's a high figure. We have the actual figures, but you know they continue to increase year after year.

MR. URUSKI: Would a figure of premium increase over the last five years in the private sector of say, two years at 10 percent and three years at 15 percent be a high figure as what the increases were over the last five years?

MR. DUTTON: I think it is difficult, in all fairness, to generalize, to be specific rather in what the increases were. I lost track of them. There have been instances where there have been two increases in a year in certain provinces, and what they would total percentagewise I don't know. I suppose the best way to find out is to simply take the gross premium written in Canada in 1970 as opposed to today to find out what did happen, generally speaking, in the rest of the country, and it would give you an idea of what the increase would be.

MR. URUSKI: Yes. Mr. Chairman, the point that I wanted to get at and I want to place on the record, because of the fact that it has continuously come up that Autopac's premiums have almost doubled from inception. If you look at the second Annual Report of MPIC and when you look at the industry's figures of \$38 million which, for example, only about 71 percent of the vehicle owners did not have medical paents. and 55 percent did not have protection of no-fault accident benefits; and about a quarter of the vehicles did not insure their vehicles against collision; and about six percent did not have any fire and theft insurance; so that if you would compute on the same basis and put Autopac in the private sector in that year, on the same basis of the se coverage, that the actual premiums would have amounted to, in the neighbourhood of \$45 million, and being a very conservative figure.

If you compute that over the last five years of an annual increase of drivers and vehicles of five percent and a nominal increase of 10 percent in two years and 15 percent increase in three years, you will come to a figure, comparing apples and apples of a figure of private insurance premiums in Manitoba of roughly \$440 million; and when you compare that to MPIC's actual figures of premiums of \$238, you will find an actual difference, comparing apples and apples of \$156 million difference in premiums, or 36 percent lower, which has certainly been evidenced by the expense ratio and the pay-back in benefits to the motorists of this province.

MR. CHAIRMAN: Mr. Burtniak.

MR. BURTONIAK: Mr. Chairman, just to point out when Mr. Uruski was referring to percentage of increase in vehicles and drivers, I can inform the committee that in 1976 there was an increase of 10 percent in the number of vehicles in the Province of Manitoba.

MR. DUTTON: Conservative, it's even better.

MR. CHAIRMAN: It's a small "c". Mr. Steen.

MR. STEEN: Mr. Chairman to Mr. Dutton. Mr. Dutton, what percentage of the Autopac business is done through the private insuring agents?

MR. DUTTON: Well of course, obviously the Autopac, the pure basic is zero because everyone is compelled to insure with IC. Was extension coverage, the other part of it . . .

MR. STEEN: No, no, no. Then what percentage of renewals are placed through the Autopac agent rather than directly to the Corporation?

MR. DUTTON: I'm sorry, Sir, I misunderstood you. I would say roughly 80 to 85 percent, the figure that is going through agents.

MR. STEEN: An area of difficulty that appears to be on the horizon is that either the agent who is your representative or your staff people appear, and this occurs more frequently in the rural areas than in the urban area, is the insured person is getting the wrong classification. You may have seen some of us looking at our own registrations a few moments back, and I asked the former Minister responsible for Public Insurance, as an , if we had no other form of employment, what classification should we have on our car. The former Minister responsible said, oh all purpose; where I personally carry business because I have another form of occupation. But I find that from time to time that much of our motoring public seem to be getting the wrong classification. Perhaps this is the responsibility of the agent who is insuring them in a lower classification to perhaps try to entice their business, then all of a sudden that person ends up with an accident and he's insured in the wrong classification and therefore the responsibility is on the driver or the owner of the vehicle rather than on the Corporation.

Where you see this, and as I was saying earlier, we see so many people that live in close proximity to Winnipeg that live in the rural area drive into Winnipeg for their employment and they're insured incorrectly, and then they get into an accident and then the Corporation is not responsible, is there a way that the Corporation can take some steps to correct this? Could we have better schooling or policing of our agents? And I'm glad to hear the General Manager say 80 to 85 percent is placed through the private agents. But is there a way that we can perhaps make better corrections in the future?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: I think, Mr. Chairman, that is an extremely good point that you are making and is one that is of concern to us obviously, to make sure that everyone has the right classification. It's not only the classification as relates to the type of work you do, whether it be business or pleasure or all purpose, but it goes further than that, it's the location. There's territorial ratings too.

Now to answer your question territorially, that the rate a person receives is where his residence is, you see, and that's the rate he's entitled to get; because obviously someone can be living in Portage la Prairie and they're going to be driving into Winnipeg, well if you have an accident here we're not going to deny a claim because it happened to occur in this city, and they're rated for Portage rates.

But the situation does occur when a person moves from Portage la Prairie and lives in Winnipeg and is working here and doesn't change his address, and then of course he is paying less premium than we feel he ought to because of the exposure of the number of vehicles here. In such case then his insurance is, for all intents and purposes, void. But what we do is, we look at each and every individual situation and I have what is called an expression committee set up and we explore any claims that come in weekly, and we will not penalize the motorist for a mistake made either by the agent or ourselves, because in all innocence if a person has the wrong classification or the wrong address and is not his fault, then he is not penalized, we pay the claim.

How to correct it is really your question, and if somebody could tell me other than flat-rating across the province which would be inequitable, I think, it is very difficult because a person can walk into an agent and give the wrong information and what is the agent going to do? He has to convey this. On the other hand there are certain instances we feel as what you pointed out, that perhaps some agents are trying to attract business by this method of giving a lower rate. They're doing the public a disservice, not a service, and I would suggest that if we catch any of these he'll no longer represent the Corporation. I think that's probably the only way to correct it.

MR. CHAIRMAN: Mr. Burtniak.

MR. BURTONIAK: Well, there's one more thing if I may, Mr. Chairman. We are bringing something in — of course it doesn't fall under MPIC, it falls under the Motor Vehicle Branch — but I believe we are going to be bringing in an amendment to the Act. Up until now apparently when a person, for example, a change of address, a person goes in for a change of address, he has his change of address made on his driver's licence, but not necessarily on the registration and this has caused problems. So therefore we are going to bring in something of an amendment to the bill whereby people will know that when they make their change of address on the driver's licence, it will also have to be made on their registration. This has caused some problems too.

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Mr. Chairman, on that same subject to Mr. Dutton. The hydro often includes a little leaflet with their billings, you know advertising hydro and so on. Do you think it would be wise if Autopac included a memo with the billing next year that explain there are three categories of insurance . . .

MR. DUTTON: Correct.

MR. STEEN: . . . which is preferred, all purpose and business?

MR. DUTTON: We have endeavoured to do that. Also in every agent's office there should be a big sign that's there. If they haven't got them on . . .

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MR. STEEN: That explains the definition of the three categories.

MR. DUTTON: That's right, of the three categories. Certainly we will try to even elaborate further on what we're doing. I'm of the view, for instance, that maybe more should be done to inform the public perhaps by way of informative advertising to them. However, we're trying to keep our costs as low as possible and unless it really becomes a mammoth problem, we're not going to do anything.

The problem itself is not as severe as perhaps you as an MLA, Sir, would appreciate because they go to you if there's anything wrong — any of your constituents — and so they should. The few that you get out of the hundreds is what you're hearing about.

MR. STEEN: For example, Mr. Dutton, I had a caller from St. James say to me the other day, "Well, I have to buy all purpose insurance. I drive about 4,000 miles a year from my home to my place of business which is in the north part of St. James, the industrial area," and he says, "We have other employees who drive in from Stonewall and they are paying a rural rate which is lower than my urban rate. They're driving many more miles than I do in a year and their insurance cost is about half mine." And I said to the fellow, well there's two factors involved; one is that he is being charged where his residence is — as you have mentioned — which is different as opposed to St. James; and secondly, perhaps he's in the wrong category of insurance.

MR. DUTTON: He's right.

MR. STEEN: And if he is in the wrong category of insurance — that particular person — and does have a claim, he'll be lucky if he gets it paid.

MR. DUTTON: If he is deliberately trying to defraud the company, then obviously we ought not to pay him. If it's a genuine and sincere mistake made, not by him, but by either the Motor Vehicle Branch and H and O, indeed ourselves . . . keypunch error or something, then he ought to be paid. However, to say that a person living in the country drives four or five times as many miles as a person in the city is getting that big a break, is perhaps only partially true and that is why the two cents per gallon on gasoline was put on so that the more you drive the more you're contributing to.

MR. STEEN: Mr. Dutton, what percentage of claims involve the incorrect insurance? Is it a very small factor?

MR. DUTTON: A very small percentage. As a matter of fact we have the actual count. As I say they come through this committee, and the committee consists of four of us including myself because I want to keep a handle on this, as to what the problems are. What we do is 125 in 1976 out of 180,000 claims. So it is not a big feature. But it is still enough to concern me because it's the tip of the iceberg. If there's 125 people with accidents then obviously there are more that are not having accidents. And what happens here, too, is if it's an agent's error these are recorded, the agent is written to in every instance. And if he continues to make these mistakes and there's *prima facie* evidence that maybe he's doing what you've suggested, and we try to correct that situation. But that's the total.

MR. CHAIRMAN: Mr. Johannson.

MR. JOHANNSON: So, Mr. Dutton, in spite of the fact that some people have been paying premiums that are too low really, we still had a surplus of \$14.7 million on last year's operations.

MR. DUTTON: Yes.

MR. JOHANNSON: Mr. Dutton, I want to ask your opinion of an article that appeared in the Winnipeg Free Press editorial March 9th, 1977, entitled "No Rebates", and the concluding paragraph is as and it's follows — don't know who wrote this, but somebody for the Free Press wrote it:

What will happen in Manitoba? Motorists here can expect that Autopac will continue to boast about its low premiums, taking into account only the amount for basic coverage and ignoring the fact that the necessary extension insurance plus the gasoline tax, the fees levied on drivers' licences and penalties imposed for experiencing accidents, make Manitoba one of the highest priced insurance provinces.

Now, how would you rate that in terms of truth and accuracy?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: I think whoever wrote it is misinformed, let's put it that way.

MR. JOHANNSON: Well, to me Mr. Chairman, this contains what I can only describe as two very blatant and outrageous lies. I will call whoever wrote this article a liar, and he is an outrageous liar.

Now, Mr. Dutton, does your income statement in the Annual Report include income from extension insurance, gas tax, fees levied on drivers' licenses and penalties imposed for accidents?

MR. DUTTON: Yes. That sheet that you have in front of you includes all of those things.

MR. JOHANNSON: That includes all of that so this is a lie. Is Manitoba one of the highest priced insurance provinces in Canada?

MR. DUTTON: No, the lowest. No, Sir, that's not the case.

MR. JOHANNSON: So that is another lie?

MR. DUTTON: Well, that's an interesting commentary on the Winnipeg Free Press and its editorial writers.

MR. JOHANNSON: Now, I'd like to ask you some questions about our rates here and the American experience. Now I read very recently in the Christian Science Monitor that — (Interjection)— yes, a good paper, that cab companies, taxi companies in the United States are

experiencing tremendous increases in rates and that many are going out of business. Are you aware of this?

MR. DUTTON: The taxi business has never been considered lucrative from an insurance company viewpoint and probably for obvious reasons when you see a car being driven 24 hours a day and then when inflation came in, higher court awards, tendencies, particularly in the United States for very high awards — I can understand insurance companies in that area having to charge them a high fee and which they do and some of them may be put out of business if they can't produce insurance. I can understand.

MR. JOHANNSON: How do our taxi rates compare with American rates?

MR. DUTTON: Well our rates are pretty good. There's no question about it compared to taxi rates anywhere across this country and in the United States, there's no doubt about that. If you wanted to get the breakdown of the figures and compare them with what they're paying for instance in Alberta or I guess the closest province in the private sector would be Ontario, then we can give them to you.

MR. JOHANNSON: I would like those figures, yes, Mr. Chairman.

MR. CHAIRMAN: The General Manager indicated that he will make those figures available comparing the taxi insurance rates in other provinces to Manitoba. Mr. Johannson.

MR. JOHANNSON: Okay, I have some further questions. I'm quoting now from an article from the Brownsville, Texas Herald, November 3, 1976 and it states: "Auto insurance which is rising at a staggering rate will continue to soar admit industry experts. The United States is facing the clear-cut possibility that casualty insurance as we know it may be unaffordable; it simply may price itself out of the market." So is the American experience accurately portrayed here?

MR. DUTTON: The American experience generally speaking for the last few years has been very bad indeed and the only way they're going to be able to make it up by using the system that they are using, the conventional system, is by increasing rates it's either that or more selectivity when it comes to accepting various risks. And the moment you do that, become too selective, people can't get insurance, you have a large number of uninsured motorists and with the problems in that area that are driving on the road.

MR. JOHANNSON: Okay. A further quote from this article: "Underwriting losses for auto insurers totalled \$1.9 billion for the first half of 1976." Now we're talking about the half of the financial year that you are now reporting on. Their underwriting losses for auto insurers totalled \$1.9 billion for the first half of 1976. "The worst year in the American insurance industry's 225 year history," — well that obviously doesn't cover car insurance entirely — "said William Pollard, president of Reliance Insurance Company. Inflation is the main culprit," said Warren Levy of Insurance Information Institute." And he quotes a whole series of inflation factors. Now, how is it that while Americans are increasing their rates and they're having this terrible loss experience, Autopac can record a surplus?

MR. DUTTON: Well, the situation in the United States is inflation has hit them and I think it's just catching up to them whereas we've made, I think, the proper adjustments in our rating structure to compensate for inflation and of course it has kept our administration costs to a bare minimum. I can't explain it any other way.

MR. CHAIRMAN: Mr. Johannson, those are very interesting statistics.

MR. JOHANNSON: One further question. I would like some information from Mr. Dutton. The article here states that the private industry had underwriting losses for auto of \$1.9 billion for the first half of 1976. Do you have the total loss figure for 1976? Is it available yet?

MR. DUTTON: Now their total loss figure for 1976 won't be out as yet. When they have to compile all the figures from se — you're talking about the private sector — 200 or 300 companies, it takes a while and those figures usually appear in this coming month in the next four weeks. Certainly the figure should be out within four to six weeks.

MR. JOHANNSON: I understand that according to another article from the New York Times Service published in the Tribune of October 21, 1976, "Insurance industry estimates are that car insurance rates particularly in urban centres throughout the nation" — and again this is the American experience — "will rise 10-30 percent or more over the next twelve months." They're talking about 1976 and 1977. "They have already risen over the past twelve months by 50 percent or more in many areas including New York City so the American industry has experienced" — is this accurate, this kind of rate increase?

MR. DUTTON: Yes' I don't think it's any secret that their rates have to go up and it would be certainly within the parameter that you've outlined, I think.

MR. CHAIRMAN: Mr. Johannson, order please, I believe that there is no way that the General Manager would be able to have all of that information. You have indicated some figures and the General Manager has commented on the veracity and agreed with you that there is no way that these same kind of increases are applicable to Manitoba. Do you have any direct questions on the Annual Report?

MR. JOHANNSON: I have some further ones coming up on the following pages.

MR. CHAIRMAN: Proceed, Mr. Johannson.

MR. JOHANNSON: No, no, on the following pages.

MR. CHAIRMAN: I see. Page 5—pass; Mr. Blake.

MR. BLAKE: Yes, I thought I had my name down there.

MR. CHAIRMAN: Yes, I'm sorry. You did.

MR. BLAKE: Thank you, I'm glad you noticed me. Now that we have listened to a great lesson in whatever it was political advantage or political points, the Member for St. Matthews seems to like to quote one newspaper item and knock it full of lies and innuendo and then he quotes some other newspaper items and apparently he takes those as the gospel truth. I think he was quoting from a letter from the Premier's office, it looked like it on the heading ay maybe he would table it for the benefit of the Committee and we could all have the information that he's got so nicely underlined and we'll all be able to read those articles instead of having him read them into the record.

MR. CHAIRMAN: Did you have a question, Mr. Blake?

MR. BLAKE: I was just getting to the question, Mr. Chairman, that we were on some time ago about agents applying the wrong rates and I was happy to hear the General Manager say that there was a committee that studied these because I have a particular claim that should be in his hands now whereby the wrong rate was applied. The particular agent has sold the business, there's another agent in now and I have no disrespect to the chap but he is an older fellow and I don't think really he was up on rates and I'm sure the rate applied was applied in all innocence but the car was registered in the name of a company although the chap's wife drove the car and she drove it only for pleasure and the pleasure rate was applied but the car was registered in the name of a firm and naturally . . .

MR. DUTTON: One of the number of vehicles that they had.

MR. BLAKE: Yes, right.

MR. DUTTON: I'm familiar with it and it's been justly dealt with in this last meeting.

MR. BLAKE: It's an extra payment and I know that it's going to be according to your adjuster it's going to be settled satisfactorily but there are agents like that and I won't belabour the point because you've given us the statistics but those that we don't know about, are probably substantial and something the agents, I think, have to be made aware of, that when someone comes in even to question the chap because somebody runs in and if you tell him it's going to be \$259 if you do this and \$325 if you do that, he's going to jump at the small rate not thinking about the hell's going to happen if he gets in an accident and as long as the agents are being cautioned and . . .

MR. DUTTON: They will be cautioned and indeed, Sir, they will be cancelled if they're doing this deliberately. I think that we have to do.

MR. BLAKE: look after the customers' interests. There's no question about it. Right. I agree. You have to

MR. CHAIRMAN: Mr. Steen.

MR. STEEN: Can you tell me how much the Corporation spends in public relations or advertising?

MR. DUTTON: The question again, Sir.

MR. CHAIRMAN: The amount spent in public relations and advertising.

MR. DUTTON: It's in the expenditures at the back of the book.

MR. STEEN: I would suggest, Mr. Dutton, that you keep that item in for next year because Mr. Johannson may not be available to be your public relations person next year, unless he is sitting in the front row.

MR. CHAIRMAN: Mr. Steen, you have a question?

MR. STEEN: Let's deal with the report, Mr. Chairman.

MR. CHAIRMAN: Anything to do with the Annual Report because that situation might apply to . . . that is true.

Page 5 —pass; page 6 — pass; page 7 — pass; page 8 — pass. Mr. Blake.

MR. BLAKE: Yes, page 6. I just wondered what the labour . . .

MR. CHAIRMAN: Page 6?

MR. BLAKE: Yes, you're going a little heavy there. The labour rates applied to bodyshops, I could apply it on this page, I suppose it doesn't matter. I just wondered what is the labour rate being applied to bodyshops per hour, city versus country.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Yes, we've got it here. We anticipated this question. The bodyshop rates in Winnipeg were \$14.25 an hour, at October 31st, which is in the report in question. If you wish to know what has happened since, we had a two-year agreement and they went up to \$15.50 per hour as of March 1st this year.

The rural is correspondingly less. I haven't got the rural figures here but there is about four or five districts and I can give them to you; but they've gone up as of March 1st too.

MR. BLAKE: But it's not appreciably lower, I mean.

MR. DUTTON: Well, no. As a matter of fact in some areas it is higher, as I'm sure you will appreciate, north of the 55th parallel, they're higher.

MR. BLAKE: If you could just put that on a sheet and show it to us.

MR. DUTTON: Certainly, sir.

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MR. BLAKE: Fine. We'll split the different areas, Flin Flon and Thompson.

MR. CHAIRMAN: Page 7—pass. Mr. Johannson.

MR. JOHANNSON: I believe Mr. Dutton was going to provide the Committee with a list of the investments of the Corporation in detail. Okay.

MR. CHAIRMAN: Page 8—pass; page 9—pass; page 10—pass; page 11—pass. Mr. Blake.

MR. BLAKE: On the General Insurance, I noticed the last convention of the Manitoba School Trustees, there was a question of insuring schools had come up. Does the Corporation now insure any schools? Are they paying the business on a tender basis or could he give us some information on this area?

MR. DUTTON: Yes, Mr. Chairman. We are writing a number of schools and in every case it's on a submission basis to us, and I am assuming that in the instances when we are honoured with the business it's because our rates are competitive or perhaps it's a capacity problem. None of the business is forcibly directed that way, I am sure. Schools at the present time, generally speaking, in the insurance industry are not considered a . . .

MR. BLAKE: Good risk.

MR. DUTTON: . . . they're a poor type of risk, yes. So that being the case I'm sure that we can have all we want in this particular area.

MR. BLAKE: I was just wondering, Mr. Chairman, if there was any consideration or any type of a move to have businesses or corporations that are funded by the government to insure with the corporation.

MR. DUTTON: I can't say what is happening, of course, in the policy area obviously, but from an administrative viewpoint it is our intention to present the Minister and other people with a package as to how we can handle the schools in this province, because I do think it is becoming a problem that ought to be corrected.

MR. BLAKE: Also, Mr. Chairman, what percentage of applications for insurance from the public sector would be declined by the Corporation?

MR. DUTTON: From the public sector? It embraces . . .

MR. BLAKE: I'm thinking homes and what-not where there may be some high risk involved.

MR. DUTTON: I would say that it's a very small percentage. As a matter of fact for the first year or so I used to go over every application myself, and obviously you can't continue to do that. But in every instance we're asking the underwriter to indicate why, if he is going to reject a risk, he is doing so. This is what we are doing and we are, I think, accepting more now than we did initially. I'm sure you'll appreciate that it was wise for us not to get too loose in our underwriting practice initially at first when we had no income. But as time goes on we are going to be able to loosen our standards a bit and accept a larger percentage of what is called a substandard risk. And it's very obvious that if we wrote only the so-called substandard risks in the province, you're on a collision course with disaster, that's all.

MR. BLAKE: Mr. Chairman, further to Mr. Dutton. What type, for instance in a home, what would you consider a high risk? Would this be a home that was heated with a space heater or . . .

MR. DUTTON: I would think that with inferior heating it would certainly increase your rates, or it may if the heating is very bad suggest to the underwriter that he ought to decline it. Heating is, of course, one of the major causes of fire, there's wiring and smoking naturally which we cannot control — underwrite the smoking — but certainly you can have a look at a risk from the viewpoint of whether the wiring is old and whether the heating is inadequate.

If heating is not adequate it would be one of the reasons for increasing rates or maybe decline the risk, that's right.

MR. BLAKE: Mr. Dutton, I agree these are the types of insurance applications that are being refused by some of the line companies, and I assume that they are using good judgment and good business practices such as the MPIC is using in laying down these claims.

MR. DUTTON: The people we have on our staff weren't just plucked out of the air and taught the insurance business in a two-week crash course, of course. The underwriters are from the industry and they were taught obviously conventional methods. So I am assuming that they are looking at all these problems as they did in the past.

MR. CHAIRMAN: Mr. Burtniak.

MR. BURTONIAK: Well, Mr. Chairman, I think that this would be a good time to also point out — well perhaps it is a first for MPIC general insurance — that I recall a couple of weeks ago when there was a discussion on smoke and fire detectors and the Manitoba Public Insurance Corporation was the first one to recognize that wherever the smoke and fire detectors were placed there was a reduction I believe of something like 15 percent on the insurance premium of the building.

MR. BLAKE: Is this common in the industry, Mr. Chairman?

MR. DUTTON: It's starting to come with it now. The United States is adopting it and some of the other companies are beginning to recognize it. You cannot measure at this stage just what it does to cutting down loss ratios. But certainly anything, any device at all is a move in the right direction and the public in our view ought to be encouraged to do it.

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MR. BLAKE: While we're on rates, just as another question, Mr. Chairman, that should have been directed earlier on. At one time there was an organization that insured drivers in automobiles, those that totally abstained from alcohol.

MR. DUTTON: It's called, yes, I know the name of the company.

MR. BLAKE: Is that still in existence, or has any consideration been given to rates?

MR. DUTTON: That's called Abstainer's Insurance Company. The Abstainer's embraces quite a large field, but I assume they're talking about alcohol.

MR. BLAKE: I was just checking for information.

MR. DUTTON: They're still in existence as far as I know.

MR. BLAKE: It may be worthwhile you know. It's something to consider.

MR. CHAIRMAN: Mr. Johannson?

MR. JOHANNSON: Mr. Dutton, what, how do the commissions that you pay for general insurance compare with those paid, let's say by Wawanesa, for example, on something like insurance on a house?

MR. DUTTON: I think the commissions we pay agents is certainly as good as any paid by any of the other companies and that includes Wawanesa. I'm not sure that names of the companies, and there's no point in me mentioning them but there are a number of companies who recently have reduced their commissions to agents by 5 percent on insurance on homes. I think if you read the publication put out by the agents' association here a short while back, they recognized this and advised their agents that MPIC would, if for not any other reason, by default, get the dwelling insurance business because they recognized the work of the agent.

MR. JOHANNSON: I have had a number of complaints from people in my constituency lately about the difficulty of getting government insurance on their house and their furniture. I can document the cases by giving you names, names of people and names of agents who have made it difficult for them to purchase or who have discouraged them from purchasing government insurance. Now, have you had this kind of complaint?

MR. DUTTON: Mr. Chairman, if I may.

MR. JOHANNSON: I know the people involved are not bad risks.

MR. DUTTON: If I may, we took on a large number of agents, over 300, whom we got into general business. I think a number of them simply took our contract just so they would have that market available to them, but had their own companies that they preferred to do business with, maybe through many years of association. Now we gave them a little over a year to find out how they would treat our Corporation and we had a complete review of the situation and there were some 38 agencies cancelled as of February of this year, because in the twenty-month period these agents produced an average of \$1,000 in premiums —well a \$1,000 in premiums would cost us a substantial amount of money to administer, to look after these people and obviously if that's all they're going to write for us then they don't need our contract. It may be that some of these people would fall in that area, but the point I'm making to you, Sir, is that we're aware of this type of situation, and are constantly monitoring it and making the necessary changes.

MR. JOHANNSON: I bring it up because I have had repeated telephone calls from constituents, from a number of them, complaining about the fact that they couldn't or were having great difficulty getting their agents to write them a government insurance policy.

MR. DUTTON: Well, there are factors involved . . .

MR. CHAIRMAN: Perhaps I could qualify that. Manitoba Public Insurance Corporation general insurance.

MR. DUTTON: There are some companies, of course, that do have plans for long-time agents, that they might call pension plans or some are called contingent commission contracts and so on which they want to build up over the years and therefore they continue to support that company. And I'm not being critical of them. I'm suggesting, Sir, that in these cases if they're not going to represent our company, our Corporation, the way we think they ought to represent it, then we'll take the position that we have taken with 38 of them and cancel them out.

MR. JOHANNSON: Does my constituent have the option of coming to MPIC directly and getting an insurance contract? —(Interjection)— No, no I'm talking, they have asked about . . .

MR. DUTTON: As a government organization we take the stand that if a person comes in off the street and wishes to place insurance with us we can't say you must go to an agent. We will write it directly.

MR. JOHANNSON: Oh, you will.

MR. DUTTON: But you'll find, I think, that not many people will do that because the convenience of the agent is there and the rate that he'll pay is the same.

MR. JOHANNSON: Some of the agents involved in these particular cases have stated that very stringent inspections had to be made of the houses, the dwellings involved, much more stringent than the inspections applied in private industry? Now is this accurate?

MR. DUTTON: We have written thirty-odd-thousand dwelling policies and I have that figure here someplace too and it would make a very horrendous job for us to inspect all of those 38,000 plus any

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that we've turned down, so we suggest that the inspections that were made on any houses are minimal indeed. The inspections that were made were perhaps made by the agent themselves because we ask the agent to fill in an application form as any company does and to certainly indicate to us the type of risk that we're assuming.

MR. CHAIRMAN: Mr. Burtniak?

MR. BURTONIAK: Well, Mr. Chairman, I just want to ask Mr. Johannson, referring to some of the problems that were referred to him regarding general insurance, I have had an occasion or two to deal with a few of the people back in my constituency as a matter of fact and I am just wondering, in this case, just to refer to Mr. Johannson, my experience was that these people were insured by private insurance and they were cancelled out, the private insurance would not carry their insurance any further for, I guess, obvious reasons and then they came back to MPIC and of course we looked at that very seriously and thought maybe these are poor risks because they were turned down by other insurance, so we took a little time before we, or we didn't even consider reinsuring them. There are those kind of cases too. I think that should be made clear.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: I have quite a number of questions, obviously we're not going to finish them today and I just wonder if the Committee might rise? It's 12:30 and I'll get these questions later on?

MR. CHAIRMAN: Committee rise. The next meeting will be called when we see what dates are available.