

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES
Thursday, 19 March 1981

Time — 10:00 a.m.

CHAIRMAN: Mr. Warren Steen (Crescentwood)

MANITOBA PUBLIC INSURANCE CORPORATION

MR. CHAIRMAN: Committee come to order please. I'll ask the Minister responsible for the Manitoba Public Insurance Corporation, Mr. Jorgenson, if he would start our proceedings for us.

HON. WARNER H. JORGENSEN (Morris): Thank you, Mr. Chairman. May I first of all apologize for being late. It just happens to be one of those mornings that occur from time to time.

I'd simply like to introduce the principals of the Manitoba Public Insurance Corporation: The Chairman of the Board, Mr. Cam MacLean and the General Manager, I'm sure all of you know, Mr. Dutton. They're here to answer question with respect to the operations of the Board and to alleviate any of your fears and any of your concerns with respect to the Board's operations. I trust that you'll have a useful and a fruitful morning.

Mr. Chairman.

MR. CHAIRMAN: Mrs. Westbury.

MS. JUNE WESTBURY: Are you ready for questions now?

MR. CHAIRMAN: No, no. Mr. MacLean, the Chairman, has a statement and then we will go on to questions through the Chair to either Mr. MacLean or Mr. Dutton.

Mr. MacLean.

MR. CAM MacLEAN: Yes, I'd just like to introduce the balance of the people that are with me this morning to be able to answer our questions. I have Carl Laufer, the Senior Vice-President of the Autopac Division and Henry Dribnenky, Vice-President of Finance, and Barry Galinowsky, Comptroller.

I might say that I'd like to just give a brief statement before we go into question period, just over the Corporation's operations for last year. The total net premiums writings reached \$141 million, producing a consolidated net loss of \$1 million. The Automobile Insurance incurred a net loss of \$2.1 million while the General Insurance Division contributed a net profit of \$1.1 million. Corporation assets of \$152.3 million represented an increase of \$17.9 million or 13.3 percent over last year.

The asset growth was primarily concentrated in the investment portfolio which is now in excess of \$125 million. With the exception of \$1.3 million, the entire long-term portion of the investment portfolio totalling \$94.1 million is invested in Manitoba provincial, hospital and municipal bonds.

The net loss of \$2.1 million reported by the Automobile Insurance Division is attributable to the

increase in accident benefits to recipients of such accident benefits as of March 1st, 1980. As intended that one time cost to these recipients was absorbed by a transfer from the reserve for rate stabilization reducing that reserve from \$5.4 million to \$3.3 million. The catastrophe and contingency reserve remains at \$7 million and \$2.8 million respectively.

The Corporation handled 219,000 claims compared to 225,000 claims in 1979. In spite of this reduction claims incurred increased by 16.6 percent to \$114.3 million compared to \$97.9 million in 1979.

In addition to providing Dial-a-Claim service in Winnipeg during the year, the corporation introduced a Dial-a-Claim for the City of Brandon and surrounding areas and for out of province claim service from Brandon. I am pleased to report that the Dial-a-Claim has been successful in eliminating long lineups, especially during the winter months, and is providing better claim service to the insureds.

Expenses of the Automobile Insurance Division are up by \$2.8 million to \$28 million with salary, agents' commissions and premium tax cost accounting for the majority of the increase. The earned expense ratio was slightly reduced from 20.3 percent to 20 percent. The General Insurance Division has shown a profit of \$1.1 million and now has a catastrophe and contingency reserve of \$3 million plus unappropriated retained earnings of \$1.5 million.

Premium earnings for the year were \$10.3 million, a slight reduction from the previous year by \$9 million. Claims incurred were \$6.6 million compared to \$7.4 million the previous year.

That's the statement I wanted to put into the record along with our Annual Report and that is our report. I might say that I'm not really responsible and haven't been looking after the Autopac problems during the last fiscal year. Mr. J.O. Dutton will be answering the bulk of your questions, but I can answer anything or will try to on the new year that's coming up.

MR. CHAIRMAN: Mrs. Westbury, would you like to lead off?

MS. WESTBURY: Yes, thank you, Mr. Chairperson. I might have seemed a little over enthusiastic with my questions, but I've been trying to get answers from the Minister in the House and he refused to answer questions on Autopac and referred me to the Board, so I am anxious to get some answers.

Mr. Chairman, one of the questions I have is, is there a reason for an apparent decision by officials from Autopac not to appear on radio programs to answer questions?

MR. MacLEAN: Well, I can answer that one. There has been no decision at all. The problem that has arisen is that we wanted, first of all, to report to this committee before we appeared on any radio programs. The other thing is that this is a very busy part of our season. There are all the new licences as you know were just issued in the last couple of months and it's been a very busy time and

everybody has been working to capacity. Our job, first of all, is to service the insured and once things settle down I'm sure that someone will be able to go and speak to the media.

MS. WESTBURY: Thank you.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: If you don't mind, . . . in charge of administration. I want to set it clear that it has never been a policy of a corporation to refuse to appear before any open-line show or before any member of the press. I'm sure if you asked the press gallery here today, you will find that we're always available.

I think the explanation in this particular instance, and this is the only one time that I've known this to happen, is because of our responsibility to report to this committee. I'm sure we'll all agree to that and, secondly, the renewal cycle itself in getting out some 600,000 renewals and collecting the money is a horrendous task and receives our top priority at this time of the year.

MS. WESTBURY: I accept that explanation, Mr. Chairman.

Now referring to the Annual Report, it indicates that approximately a million dollars was spent on leasehold improvements at Eaton Place as of October 31st, 1980. Have there been any more expenditures on that property since that date?

MR. DUTTON: Mr. Chairman, the total expenditure has not been in as yet. As you are aware, there is some holdback in any proposition such as this but our Budget is for \$1 million and we do not anticipate that will exceed that amount of money when all the bills are in. The construction is fairly well completed and apart from some minor changes that are required this is normal. When these are all done we release the holdback and we don't believe that they'll be in excess of \$1 million.

MR. CHAIRMAN: Ms. Westbury.

MS. WESTBURY: Mr. Chairman, can Mr. Dutton advise us what the cost per square foot of space is for the Eaton Place offices and whether tenders were called for before the commitment to that location. Also, how does the cost per square foot at Eaton Place compare with that at the former premises?

MR. DUTTON: I'm very happy to answer that. This appears to be more than one question there. I should tell you that any changes, any renovations that were made, everything was tendered so that we did use the lowest cost, I think, in every instance. And as far as the cost of rental for both Eaton Place and 330 Portage, it is a much better deal for us at Eaton Place and a cost rental — I have it right here — the Bank of Montreal or 330 Portage; the cost was \$10.76 per square foot plus escalations in cost for the period ended May 1, 1981 and \$12.61 per square foot plus escalations in the operating cost, a period ended May 1, 1982. Now in the place we moved into the cost is \$8.95 per square foot plus 50 cents per square foot for hydro plus escalation for operating costs for the base year established as 1980. So you can see from that the cost to us is less in Eaton Place.

MS. WESTBURY: Mr. Chairperson, re the Bank of Montreal Building, the lease, I understand was due to expire in November, 1982. If that is so, what is the current status of the lease and does Autopac have two leases and if not, how did Autopac extricate itself from the lease, please?

MR. DUTTON: Yes, I'm very happy to put the record clear on this situation. I know there has been some confusion. Well, it is true that our lease did expire and the date that you give us which would have as in effect still responsible for the lease in the Bank of Montreal building at 330 Portage. What has happened though is that we've had Eaton Place take up the lease in its entirety and so we do not have any responsibility for the lease at 330 Portage and as of the date from us moving into the Eaton Place we assumed a new lower cost per square foot charged by Eaton Place and they absorb the higher cost and our total operations, not only at Eaton Place but at other places that we are renting in the city.

MS. WESTBURY: So Eaton Place has taken over the lease at Bank of Montreal building.

MR. DUTTON: That's right.

MS. WESTBURY: Thank you. Then what is the square footage of space at Eaton Place compared with the Bank of Montreal space?

MR. DUTTON: It's around 100,000 square feet in Eaton Place. The Bank of Montreal has a smaller footage than that. It's around 50,000 square feet.

MS. WESTBURY: The Insurance Review Committee in 1979 showed that the Special Investigations unit spent \$145,000 to investigate claims totalling \$160,000-plus for that year. Can Mr. Dutton or anyone advise us what the comparable figures are for 1980?

MR. DUTTON: I'm sorry, Mr. Chairman, I don't know the cost of that. It took me a moment to put the question straight in my mind but no, I have no idea, right now.

MS. WESTBURY: You don't have those figures?

MR. DUTTON: Not with me, no. I can get them for you if you like.

MS. WESTBURY: Well, we'll try to get them from the Minister in the House then, in a week or two.

MR. DUTTON: Well, it's a type of information that I don't think has ever been asked before. There were checked and no doubt there have been records of it but I can tell you the activity of that organization has been growing so much so that I'm just increasing that staff by one.

MR. CHAIRMAN: Mrs. Westbury.

MS. WESTBURY: Since injury and death benefits are indexed to wage earning how does Autopac relate that to homemakers since no dollar figure is attached to the services of homemakers? How do you establish the benefits in relation to homemakers?

MR. DUTTON: Well, the benefits of course, we're talking about the payments no doubt that are made under automobile, under what we call Part 2 or no-fault because any other payments made to homemakers if they were under Public Liability Section are decided by the courts not ourselves. The payments that are made are written out in the regulations that deal with the Act and that's what we have to pay at the Part 2.

MS. WESTBURY: In 1979 the Burns' Report stated that it was a common practice for Autopac to try to avoid paying fair settlements for automobiles which have been written off. Has this practice been discontinued or are adjusters still trying to deny claimants a fair settlement — I don't expect you to say yes there — still trying to deny claimants of their settlement? How is this remedied?

MR. DUTTON: Mr. Chairman, we've always made fair settlements and the policy still continues. There is disagreement of course at times. If you have an automobile that's destroyed, damaged by a car, I've never known one that's been damaged to be a clunker, they've all been the best car in the country, of course, because we all think this is what our vehicle is, and it constitutes wheels to a person that drives it. But nonetheless the fair price is established by the price in the market place today and if the claimant does not believe that he has been paid, he or she has been paid, a fair or just return, there is an arbitration procedure that they can follow so there is no reason at all why a person shouldn't receive a fair and just return for a totally destroyed automobile.

MS. WESTBURY: Well, totally destroyed, Mr. Chairman, is a matter of interpretation, isn't it? I happen to know somebody who was told their automobile was a write-off and when they refused to accept that they, you know, the automobile is still being driven around and looks like a brand new automobile and I think they were offered something like \$1,300 or \$1,400 for it by Autopac. These people believed for a while that they had to accept that. So how are owners notified that there is an alternative for them?

MR. DUTTON: That there is an alternative if it's a total loss. I think the question here is that, just what is a total loss? The situation is very simple. I think any automobile that has been destroyed is repairable but at what cost — that's the question. If it costs more to repair the car than the car is worth then it becomes an economic total loss and it is better for us and certainly better for the motoring public generally to total loss it in that case, then of course it becomes a part of salvage and is sold as salvage. In some some instances salvaged vehicles are bought from our Salvage Compound by body shops to supplement their work flow and when they are not busy they'll be repairing those cars and you might see those cars back on the road but the cost of repairing them would be more than what they were worth at the time they were total loss.

MR. CHAIRMAN: Mrs. Westbury.

MS. WESTBURY: Yes, Mr. Chairperson, my next questions are either to the Minister or the Chairman

of the Board and I don't know which of those gentlemen will want to answer them. On February 1st, 1980, in a press release, Mr. Enns indicated that the government had recommended the merging of police and Autopac accident reporting which would apparently result in a saving of about \$700,000 annually. Is anything further being done about this merging of reporting? Is it in fact government policy, if not, in view of the fact that it was a press release, what is the status of this apparent government recommendation at this point, please?

MR. CHAIRMAN: Mr. Dutton, are you aware of the press release, or Mr. MacLean?

MR. MacLEAN: I'm not advised of it either?

MS. WESTBURY: Okay, I'll look for it and I'll try to — here it is, February 1st. Anyway I'll let you have a look at that later on. Now, this is my last series of questions. In the 1980 Annual Report it shows that Autopac holds almost \$98 million worth of investments and much of this investment capital is in the form of long-term loans to Crown corporations, hospitals, and municipal governments and while those loans are advantageous to the recipients of the loans I wonder how it can be justified that Autopac funds should be diverted into those general revenue purposes rather than to provide greater benefits to the policy holders and automobile owners. I don't know if this is a decision of the board or if it's a government policy decision. I would be interested in hearing who made this kind of decision and how it can be justified to the policy holders.

MR. DUTTON: Yes, well of course you must realize that the investment of any long-term funds, and long-term funds simply mean money that that has been reserved until it is needed to pay claims and that money of course is what the long-term funds consist of. That money has to work for us and that's why it is invested.

Now the investment of such funds does not lie under the control of Autopac, it's with the Department of Finance here and that is the way the Act is written, and the Act itself would have to be changed by the Legislature if we were to have control over these investments. The money from these investments does accrue to the benefit of the policyholders and if you look at the financial report you'll see that the investment returns are part of our income and by including that as part of our income, keeps the rates that we charge to the motorist down.

MS. WESTBURY: I found the press release I referred to in which Mr. Enns made the statement. I wonder if anyone would like to have a look at it.

MR. DUTTON: Yes, of course, I'm sorry, I didn't understand your question. We have previously in connection with the press release, but certainly when this paragraph is drawn to my attention, it becomes very clear. The paragraph reads, "The recommendation which the government has passed on to the Corporation included the merging of police and Autopac accident reporting, which is expected to result in an annual saving of \$700,000, an increase in third party liability and property damage from \$50,000 to \$100,000 and the expansion of programs to reward fault-free drivers".

There are three situations here. One is what we were calling the One-Stop Report System, in which at the present time you should know if you're involved in an accident, you have to report to Autopac and to the Police Department. Of course, many of the motorists figure that this is a bit much; you report once and are asked almost the same questions all over again. Well, we have always said that we are quite prepared to let the police use our report if it will suit their needs. This matter, as I understand it, is being looked at by the Attorney-General's Department. There is certainly not any reticence on our part. The only thing that we ask is that if we control this situation, have to gather additional information or if we have to key punch it and record all the information, that we want to make sure that somebody's paying us the extra cost. Of the \$700,000 savings referred to, I think it's a collective amount — we're talking about the extra cost to the Police Department, etc. we've done it on one source instead of two, or three as it really is, because one of these copies goes to the Motor Vehicle Branch for statistical purposes. But the cost would not be a \$700,000 saving to Autopac. It would in fact, cost us more money to put these reports through. But the total cost and saving would be, I would imagine, \$700,000 or perhaps more.

Now the answer to the next question, an increase in third-party liability from \$50,000 to \$100,000, we are not opposed to that either. We'd like to see it come about, except we believe that this change should be in The Manitoba Insurance Act, not in The Manitoba Public Insurance Act. The reason for that is, if we just change our Act and have our coverage start at \$100,000, it would mean that people from other territories could come in here and only be responsible to the extent of \$100,000. That would not be protecting the motoring public and we think that the change should be there.

The other one, the expansion of programs toward fault-free drivers, this was put into effect and we have the best fault-free coverage in this country by far.

MS. WESTBURY: Mr. Chairperson, the figures and the statements there were made by Mr. Enns, not by me. I was merely questioning the political people on his statement and what has happened in the meantime, and that's why I addressed the question either to the Minister or to the Chairman of the Board, because it doesn't really matter to the taxpayer whether the \$700,000 is a saving to Autopac or to Winnipeg Police Department as long as it's a saving to the taxpayer.

What we would like to know is, so what else has happened in the intervening six weeks since Mr. Enns indicated that the government had made this recommendation? What is the government doing about it? Has it approached the City of Winnipeg in order to make this kind of change within the city or other people outside of the city? The Minister having made the statement in written form, how is it being proceeded with now?

MR. MacLEAN: I think as far as the \$700,000 saving, that has been referred to the Attorney-General's Department and they have to work it out with the Police Departments and I can't answer that. We'd have to go to them to find out about what's been referred to them.

With regard to the third party liability, that has already been done. As you know the benefits have increased considerably — that's what cost us a deficit. As far as the \$50 to \$100,000 I've been speaking to the new Minister about this matter already and I think he has it under advisement for 51

MS. WESTBURY: . . . asked the questions about the third party liability that were in the press release, but I had not asked those questions.

All right thank you, Mr. Chairperson.

MR. CHAIRMAN: Mr. Walding.

MR. D. JAMES WALDING (St. Vital): Mr. Chairman, I just have one question leading out of an answer that Mr. Dutton gave earlier when he said that Autopac had 50,000 square feet in the Bank of Montreal Building and were taking 100,000 square feet in the Eaton Place. I'd like to ask why Autopac needs twice as much space?

MR. DUTTON: I'm quite happy to answer that. We did not only vacate 330 Portage. We had offices throughout the city too that are . . . We believe that the accommodation we had was insufficient for our needs at 330 Portage, and we needed more space. I think too if you're going to sign a contract at least that runs for 10 years, we do look for expansion and the continued growth of the Manitoba Public Insurance Corporation. I don't want to be in the spot that I was in previously that we had to start worrying as to where we were going to go once the lease runs out and to be in a highrise building when you're taking bits and pieces of 18 floors and people waiting . . . I always figured I had about three or four people waiting for an elevator when I was in the other spot. So I think it was wise for us to take this space while it was available at the low cost. We have made many changes; we now have our own canteen for our staff, which we weren't able to have before. I think it's a tremendous improvement and we're getting some of the things that the staff were entitled to originally, in my view.

MR. WALDING: You mentioned other premises in the city. Could you be a little more specific and tell us how many, what the square footage was and have the leases run out on those premises yet or are they still to do so? Can you give us an indication of what the total cost saving will be when you've given up all of the other leases and consolidated everything into Eaton Place?

MR. DUTTON: Yes. To answer the other question. The leases were taken by Eaton Place, that one on Smith Street for instance, which housed what we called a Bodily Injury Section and our Legal Department. Our Bodily Injury Section is rather a large division, has handled any injury, and these claims will last for years and files are kept for years; space is certainly needed for them. Our Legal Department too was taken away from there and promptly housed in what we call our Special Investigation Unit. It was in again a different location throughout the city. That Special Investigation Unit is one that was asked about a little earlier and the one I mentioned that we increased the staff by one. I can

find out what the total square feet is, I haven't got it right available of these other locations. I'll give it to you just as soon as I get it.

MR. WALDING: Are you satisfied then that when you have vacated these various locations and consolidated into one that the total rental will be less than you were paying on a widely distributed basis?

MR. DUTTON: Yes, I'm more than satisfied that'll be the case. I believe that the saving in administration cost alone will more than pay for itself. I'm sure that if we will all realize that if you have an organization such as ours, the size of it, spread through various areas throughout the city, and even the one that was in one building went from all the way to the 18th floor down to the basement, doesn't speak for efficiency in an organization like that. Whereas at Eaton Place, we take two floors only with a stairway leading from the 9th to the 8th floor; the staff do not use the elevator; they communicate with each other very readily. I can assure that the saving here alone, although it has not been calculated, it's very difficult to do, but we can guesstimate it, is substantial. The fact that a difference in rental per square foot to me adds up to a very good financial deal for the corporation in the long run, even though at the present time we have a surplus of space, but I think that'll also prove to be correct as the corporation continues to grow.

MR. CHAIRMAN: Mr. Uruski.

MR. BILLIE URUSKI (St. George): Mr. Chairman, I'd like to ask Mr. MacLean when he was appointed as Chairman of the Board?

MR. MacLEAN: Sometime in September, I believe.

MR. URUSKI: What salary are you receiving, remuneration?

MR. MacLEAN: \$17,000.00.

MR. URUSKI: Per annum?

MR. MacLEAN: Per annum.

MR. URUSKI: Mr. Chairman, Mr. MacLean, you've made the announcement of the insurance rate changes for 1982. In the announcement that you made you indicated that one of the reasons for the increased premiums was the large part costs and labour costs and the like. Could you tell me the amount of revenue that will be realized to the corporation by the 17 percent increase in premiums?

MR. MacLEAN: I understand it's about approximately \$25 million.

MR. URUSKI: That \$25 million will be in this fiscal year for the remaining months or is that on an annual basis?

MR. MacLEAN: That's just for this fiscal year.

MR. URUSKI: So then these . . .

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: This is on a fiscal year as it relates to the licence plates for the registration term, that 12-month period, not the fiscal year of the corporation itself. As you know they're two different years.

MR. URUSKI: So then it is for a 12-month period of approximately 25 million. Mr. Chairman, could this increase of 17 percent — there were also announcements in change of coverage dealing with the surcharges that were announced with respect to first of all the demerit point surcharges; what revenues will be derived out of those changes for the next year?

MR. DUTTON: About three-quarters-of-a-million, Mr. Chairman, on demerit point surcharges. Of course that's contingent upon the activities of law enforcement agencies, as you know.

MR. URUSKI: Yes, and the income from the accident surcharges which doubled from \$50 to \$100, is all inclusive?

MR. DUTTON: Yes, that's all inclusive.

MR. URUSKI: Mr. Chairman, also the changes in the announcements dealing with the comprehensive coverage where the deductible has increased from \$25 to \$50 on the comprehensive package; there is of course no revenue shown to that because that's paid by the motorist at the time that he files his claim. What kind of a reduction in claim costs will that bring about estimated on an annual basis?

MR. DUTTON: Estimated on an annual basis it could be as high a million dollars. I was looking into that as a matter of fact the other day.

MR. URUSKI: How much is it?

MR. DUTTON: It could be as high as a million dollars. The problem here in establishing the amount is, of course, it has to be a straight comprehensive type of claim, and we are talking about windshields now and many windshield claims are also part of a total collision claim which it doesn't apply, but I think it could be about as high as a million. I think that's a fair statement.

MR. URUSKI: In the announcement that was made in the rate changes, you put out a brochure that goes with the license, the vehicle registration and insurance changes. Would you not include that kind of a change because it is a change in protection notifying the motorist? Would that kind of a change not have been advisable to put into the brochure that goes to motorists?

MR. DUTTON: It probably would but I can tell you we saved some money in the advertising of that because all the glass houses advertised it very very prominently as you are aware, and they're saying get your claims in now because your deductible is going to be \$50, not \$25, and I'd be surprised if any one in this province is not aware of that change, so much so that I can tell you that I believe we got an additional 7,000 claims in from that course. So, I don't think that the people of this province are ill-informed in that area, Mr. Chairman.

MR. URUSKI: Last year's increase that amounted to 9 percent totalled revenues of how much money would the Corporation have taken into the 9 percent increase?

MR. DUTTON: I haven't got it available I'm advised, at this time. I haven't got it available and certainly we can get it for you.

MR. URUSKI: Why I asked that question Mr. Chairman, the increases that have been announced of 17 percent across the board and 9 percent on basic of last year, would the total revenues to the Corporation be much different than say for the two fiscal years more than \$30 million? Would I be far out in that . . . ?

MR. DUTTON: Mr. Chairman, that \$30 million would be a ball park figure.

MR. URUSKI: Could you indicate to me what revenues did the Corporation gain in its last year of collecting the gasoline tax per annum?

MR. DUTTON: Mr. Chairman, the gasoline tax, we were being paid 2 cents a gallon, and I believe it ran around \$7 million. It's been about four years ago, I think about three or four years ago, but I think it was \$7 million and it certainly will appear in the annual statement of that year.

MR. URUSKI: So for the two years of not having those revenues to the use of the Corporation, it would have been roughly half of what the revenues you needed to make up by the two years of increases?

MR. DUTTON: Mr. Chairman, I have not kept track of what the gasoline sales have been in those last two years and I don't know if they're up or down but whatever that report would indicate would certainly be able to give you the figure of what the total would be to us, 2 cents on the gallon for the number of gallons that were sold in this province, but I think to me, just simple arithmetic would indicate that it would be roughly around \$14 million and your figures would be probably somewhere in the ball park again.

MR. URUSKI: Could I ask Mr. Campbell whether he feels the rating and the use of gasoline premiums as part of the insurance premium; what is his opinion with respect to the equity of that?

MR. MacLEAN: This is probably getting into the political field. I think we get instructions from the government as to how we are to deal with those problems, it's not one that's a decision of the Board, it's a matter of the politicians that have made that request, so I don't know whether I should be answering that or not. It's really a government decision and it's not the board's decision. We have some number of ideas about what government should be doing but we follow the instructions and I think this is what we have to do in this case.

MR. URUSKI: Yes, Mr. Chairman, Mr. MacLean being the Chairman of the Board, no doubt will want to give direction to government and will want to in setting board policy and the direction that the

Corporation takes, in terms of its maintaining its financial stability, will no doubt look at various alternatives which may or may not be open to him as to suggestions. I ask him, you know, he will be recommending to government what changes, as Chairman, what changes in premiums will take place. Is he limited, are you indicating now that you are limited to the one source of revenue by government direction as to how you shall advise or are you open to giving government ideas as the Chairman of the Board?

MR. MacLEAN: Yes, as Chairman of the Board, I would certainly take it up with the board first and discuss it before I made any recommendations to government. I haven't done that in this case and I really haven't studied the matter thoroughly enough to give you an answer as to what my opinion would be.

MR. URUSKI: Mr. Chairman, the reduction in coverage in the comprehensive area, was that calculated into the final amount of revenues that the Corporation will take in? You no doubt were aware of what this change would entail in terms of revenues. What is the projection for the revenue picture of the Corporation as the way the claims are going at the end of this fiscal year?

MR. DUTTON: I think to get to the bottom line, I would say, I think your seeking for the year because certainly all aspects of both claims, its coverage and premiums that were received and were taken into consideration, we do not believe that we're going to have anything better than a break-even picture. We may make a few dollars or may lose some but you're quite well aware, sir, that the policy and the philosophy is to break even and that's what we are striving to do. It is a very difficult task to do, because there are so many things that you have to take into consideration, that unless your crystal ball is real clear you can't project, so we could make a certain amount of money and we could lose some, but to the best of our judgment we'll have a roughly break-even year when all these things were taken into consideration.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Yes, could you indicate, in terms of those revenues, based on the figures that you had two years ago, would you have been able to have, if the revenues from the gasoline had been left with you, could you have maintained the premiums to approximately one-half of what they are now, the increases of the last two years?

MR. DUTTON: I think, Mr. Chairman, that's a case of again, anyone could use their own figures on that, because obviously if we took in \$14 million or \$15 million or whatever it is, and then applied that to revenue and we'd take the loss picture from the last two years, these are public facts and have been accounted for by the Provincial Auditor, then it would simply mean that our picture would have changed by that amount of money and as a result our rates could have changed by that amount of money. The revenue, as it turns out, came from the source, that as I understand it the present

philosophy is that the automobile premiums that we charge stand on their own feet and they do not wish to use any of the revenue from gasoline for insurance purposes.

MR. URUSKI: Mr. Chairman in making the announcements with respect to the changes in rates, the basis of determining the surcharge period for accident surcharges was changed from, as I understand it, the driver's birthdate to a year from the last accident. Could you indicate why that change was made?

MR. MacLEAN: Yes, there was inequity in that, for example, my birthday is in March and if I had an accident in April and in May, I would be charged with the actual cost of the first accident. However, if I had an accident in February and then one in May, then I wouldn't have to pay. The best way is to try to set up a system whereby it's a date from the first accident, a year, and that's the way we did it, because there was inequity. Some people were paying and some weren't and they an accident within a six-month period, so the only fair way was to eliminate that problem.

MR. URUSKI: You're following the same record system as the demerit point system that's presently in place, from the date of last conviction and you are using the same method. Has that posed any record keeping changes, problems and the like?

MR. MacLEAN: I would imagine it would have.

MR. URUSKI: Could you indicate to us, in the last two years the expense ratio has gone up from roughly 17 percent to 20 percent of the premium dollar, what the causes and your reasoning for that jump, and it's held this year again for the second year in a row.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: The expense ratio this year has dropped slightly, as you have noticed, you're talking about the administration ratio, and of course when you are working with percentages, the percentages are based on a known figure or on a figure, and of course if we cut our rates in half, our expense ratio percentagewise would jump substantially. So I think it has to be tempered to in looking at the dollar expense and what is involved. The fact remains that the years that we lose money, as we did last year, should see a percentage increase in the expense ratio, because our costs of doing business are still going up, and obviously if we are losing money, we didn't have enough income coming in to offset it.

The expenses themselves, I might tell you just to clarify a situation, I just checked the other day, because I knew I was coming here and I know I'm going to be asked all kinds of questions, one of the main expenditures that we have is staff. With staff, I found out that a year ago as opposed to last year, we only increased our staff by two people and I think that is really holding the line, that's our increase over the year previously. So the expense ratio as such, there are some factors over which we have no control, such as the agents' commissions, they remain constant on a percentage basis. The premium

tax that we pay the Provincial Government is constant. The taxes that we pay the city, of course, and we do pay grants in lieu of taxes, there is no tax-free position for us. We pay all these other expenses and as they go up, and unless our income goes up substantially, then our percentage of cost as it bears to our income must increase.

MR. URUSKI: Mr. Chairman, that leads me to another area in terms of expenses, and you mention, Mr. Dutton, the area of staff and the area of commissions as being probably the two largest components of the total administrative cost package. Could Mr. MacLean indicate, because I happened to have been involved in one area of agents' appointments, and what is the present policy of the Corporation dealing with this whole area of agents and commissions and the costs that are borne by the motorists?

MR. CHAIRMAN: Mr. MacLean.

MR. MacLEAN: At the present time, I guess, as you have had some involvement with Autopac, you know the difficulty we have with the appointments of agents and new outlets for Autopac. There must be 100 or so applications on file, and I would say last year we appointed one new agent.

We might say that at the present time we have set a new committee consisting of myself, Mr. Dutton, and Mr. Sutherland to thoroughly investigate the whole situation with regard to the appointment of agents and the agents that are in the field at the present time. As you realize there are still some outstanding agency requests, that if they want to they can become agents and there's a whole system of problems that we have at the present time. We now have a complete record of all the sales of all the agents and the locations they're in and we'll be looking at the situation very closely. We would hope to get at within the next month or six weeks.

MR. URUSKI: You see looking at the financial statement, the agents' commissions, and maybe there is a breakdown here that I should ask for, jumped from \$7.2 million to \$8.5 million, and you probably now have the figures for the 1981 year, and you may want to give us that. That figure that you've shown in your annual report, if you can give us the breakdown of that, is that the commissions that are paid for both the automobile and the general insurance divisions? If it is, could we have the breakdowns between the two and if you have the current figures of Autopac commissions that agents have received, if you wouldn't mind putting them on the record.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, not at all. The commissions for Autopac, and to clarify the situation, Autopac means the basic cover and any extension cover that may go with it — in 1979, and I'll just give you round figures; it would take too long to read them all out — it was \$5.4 million; in 1980 it was \$6.1 million. The special risk extension, which is commission paid to agents, was \$496,000 and that has gone up to \$575,000.00. The commissions on general insurance remained the same at \$1.8 million.

There was only about \$3,000 difference in those two. The totals therefore go up from somewhere around \$7.2 million to \$8.5 million, if you are adding them up.

MR. URUSKI: So in 1980, you had a basic commission of \$6.7 million roughly for total automobile insurance, approximately, in commissions. What would they have been for this cycle that is over; would you have those figures?

MR. DUTTON: The one that is running through now?

MR. URUSKI: Yes.

MR. DUTTON: Mr. Chairman, we haven't got the figures. We can give you what we estimate that they will be, but the figures are not through. As you aware, that in the last few weeks the money just pours in and we don't give that necessarily high priority to establish those. It should be around \$8 million, Mr. Chairman.

MR. URUSKI: How many agents would there be presently selling Autopac, including their satellite offices within the Province of Manitoba because, as I understand it, there are some agents that have more than one office?

MR. DUTTON: I can only give you the number that are registered on the computer and if they are operating from two locations with that same number, it would mean that, but Autopac agents are 357, of which 97 are Autopac only. How that came about, I think you will recall the history in that some were licence issuers prior to the advent of Autopac and they, of course, then became Autopac insurance agents too, but they don't sell any other form of insurance but Autopac only, that 97.

The general insurance, if you want them, while it is in front of me, there are 292 general insurance agents, of which 32 sell general insurance; in other words, do not have an Autopac contract.

MR. URUSKI: Mr. Chairman, Mr. MacLean has indicated that there is a review presently being undertaken of the whole agency force. Are there cost figures as to what the cost would be to the Corporation if there were agents, either on a part-time or a full-time basis, outlets set up in major centres over and above the agency force? Has an analysis been done or are you intending to undertake an analysis? You know, if you are intending to provide a service at cost, at the least possible cost, I would assume that you would be examining various alternatives and I would like to know what alternatives you are examining in the agency force and what you are really looking for?

MR. MacLEAN: I think basically we are looking for a means of either issuing new licences on a fair basis and, of course, supplying the best service we can to the insurers. We want to make certain that moneys we collect are paid out and are distributed as fairly as we can, with the least amount of expense. At the same time, we have to keep in mind that the insurance people who are involved have to make a living and we can't overflow the market either, so

that this is the total program we are looking at at the present time.

MR. URUSKI: Would one of the areas that you would be looking at would be opening, because there will always be an argument about whether there is enough revenue, would this be the time that you would be looking at opening the whole area of agents and saying anyone who is a duly-licensed agent, that would have gone through the requirements under The Insurance Act, would they now be eligible to obtain an Autopac licence? You know, the Corporation has been in existence for almost a decade; is this is the time now that you would be looking at opening the whole area up?

MR. MacLEAN: I can't say what our answer will be. We are certainly going to be looking at every situation at the present time to see what is going to be best for the Autopac and the people who are being insured. We haven't made up our minds as to anything — we will certainly be looking at all those problems.

MR. URUSKI: Has the Corporation done an analysis of what it would cost to have offices of its own in major centres like Winnipeg, Brandon, Dauphin, Thompson? You are spending \$8 million this year on commissions and I would assume, from those centres, that is where the bulk of the business would be. Have you done a cost analysis as to what the difference would be between the present sales methods and the way the Corporation might be able to save money?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, you mentioned, Winnipeg, Brandon, Thompson and a few other major centres but, in fact, there is a government-owned and operated offices in those centres now, the Motor Vehicle Branch. I don't know whether members of the committee are aware of it, but the desk, if you want to call it that, or the counter at the Motor Vehicle Branch is staffed by our staff, employees of the Manitoba Public Insurance Corporation, and the public can renew through that fashion or by mailing their renewals to us. So we do have somewhat of a comparison now of the cost of an operation such as the one that we have in Winnipeg and indeed the Motor Vehicle Branch in all the other centres that you mentioned also sells in competition with the agents.

I think the reason though, it goes beyond the analyzing of the cost, if I may venture this opinion, the reason that the agents obtain such a large share of the business is that they are conveniently located throughout the city and it would cost us a large sum of money indeed, I believe, if we were to try to duplicate that. So this is to our advantage in that they are open 12 months of the year and, incidentally, some of them open 24 hours a day just before renewal time to give the type of service, which I don't think we could duplicate, and if we did, it would be at very large cost.

I have seen the other system in operation in other centres and it does create huge lineups to try to accommodate the mass of people that go through in that period of time.

MR. URUSKI: Mr. Chairman, how is the Corporation, how does the Chairman view the issue of people trying to now provide service to motorists, who may be insurance agents and are not able to obtain an Autopac license? You know, he indicates that there are 100 applications on file at the present time. The 357 agents have received \$8 million. I would assume that some agents who have offices have done relatively well, in one can put it that way, in fact extremely well in terms of the short period of renewal time, which is from January until the end of February, for two months basically. And then many of those operations, as I understand shut down or at least if they're not shut down, they are at a skeleton staff and there is the renewals that come in year round. With that kind of revenue coming in by some agents, is there a corner on the market, so to speak, by those who are in the industry now?

MR. MacLEAN: This is the problem that we're going to look at. This is why we're having this study made and a real survey made of all those areas. As I have said to you, we have some figures now as to how much money each of the agents are making and what areas are heavily controlled by one agent, or three agents, or whether there's too many in some areas, so we're looking into that whole picture. This is what's under study now and I don't know what the answer will be, the board will have to decide it after the committee brings in the recommendation.

MR. URUSKI: Have you made any appointments of agents in say, in the last six months?

MR. MacLEAN: Yes, there has been appointment made, I believe, just one and that was at the University of Manitoba, for a specific reason for the students there who were complaining that there wasn't any service within the university so that's the only one that's been made that I know of.

MR. URUSKI: You indicated that there are applications of approximately 100 did you say on file?

MR. MacLEAN: I'm not sure of the actual number. I'm just saying that practically every day and Mr. Dutton may have a more up-to-date figure and maybe I'm a little over, but all I know is that I have phone calls and people sending letters and I get two or three every week and I'm sure the Corporation must have a large number of file.

MR. DUTTON: A large number indeed. I don't know whether the number would total 100 but we are presently compiling all the applications that we have and that includes not only those that want an appointment but those that are seeking a second location, or seeking to move from one area to another. All this is added in because the system rightly or wrong that we have used since inception is some protection has been given to an agent in a territory because the original idea was that an agent should have a territory which he could earn sufficient living so that he can give proper attention to our requirements. In other words we wanted professionalism with an agent and we've been doing that and I agree with you on your question that there are some agents who are indeed making a very good

living out of it and maybe the time has come to make some changes, but I do know that the Chairman has this in mind in one of the areas that he wants to explore in depth when we get this committee formed. But the reason it has not really been rolling is, at this time I think you could lay it at my doorstep, because I was most anxious to get the renewal cycle over with before we got into these other problems.

I'm sure you're aware, if we'd appointed say 20 agents or so, and they're trying to get them trained, at the time we're worried about getting all the paper clearance through the computer, it would have been a horrendous task for the small staff that we have that's looking after the Autopac division.

MR. URUSKI: Does the, in terms of numbers of agents within the system, pose a problem to your administration, in terms of handling the volume of work that comes in from individual agents?

MR. DUTTON: The agents, I think at this stage in our history, are getting fairly well trained and fairly used to the system which doesn't cause a big problem. I think we could add a number of agents, that maybe is an answer that you're looking for, without any undue inconvenience to the Corporation.

However it would create a problem if we were to appoint agents in very very small communities because we have to examine their books and send people out there and that's costly. I'm talking about communities maybe of 100 people or whatever.

MR. URUSKI: In those areas of course, no doubt, the agency system is certainly strictly a service to those people. It's really not a so-called money-making proposition and the people that are there are not there as agents with Autopac or insurance being their sole livelihood. It's primarily in areas like Winnipeg that the problem does exist. So there is, at the present time, a freeze on the appointments of agents?

MR. DUTTON: Mr. Chairman, if I may, there has been a freeze and this is an administrative freeze, that has been in effect for I don't know how many years now. I believe the date is from December 15th of each year until after the renewal cycle is over for the reasons that I've just explained, that they haven't got the staff to get these people trained . . . we'll have the auditors that are necessary to check the accounts and make sure they're correct.

We have to be extremely careful with all this money that comes in which runs in excess of \$100 million in just two or three weeks time and it has to be properly checked out. And we want to do it with the least administration costs and most efficiently as possible, therefore we do not have any appointments between those dates, and there's been a freeze on, but it's one that at that time, that we've always had, but there's been no freeze directed to me or the administration as such. Any freezes or any holds have been administrative decisions.

MR. URUSKI: Well, Mr. Chairman, do you expect to be appointing any agents within the next few months, or when do you expect the review to be over and any changes in policy announced?

MR. MacLEAN: I would think that it would be another two or three months before we can sort out

all the problems we had. Certainly there's not much Autopac sold between now and in the next three or four months in any case. I mean the agents don't do anything in any case so that we should have plenty of time to come up with some answers and we certainly would want to do it, if we are making any appointments, I don't know if we will or not, but if we do make any, they'll be made some time during the summer or early fall.

MR. URUSKI: Mr. Chairman, on another topic, has the negotiations between the industry and the Corporation with respect to body shop rates and towing and the like been settled?

MR. DUTTON: Yes, I'm very happy to report, Mr. Chairman, that they have. The charge-out rate for body shops were settled effective March 1st and the increase has been about 10.5 percent for charge-out rates to them. There is a variation of course to the contingent upon whether it's country or what the territory is. The towing was under a contract for 20 months and that contract has not expired so it's still operating under the contract that was approved about a year ago, I think.

MR. URUSKI: The increase that you mentioned of 10.5 percent, is that on the shop rate or is that the shop rate and the materials combined as an effective average increase?

MR. DUTTON: The Winnipeg rate I will give to you; I'll read this for you. The rates increased from \$19.17 per hour to \$21.17, which is a 10.5 percent increase. The body shop material remained at 15 percent. The paint material is \$7.50 an hour and the windshield installation rate increased by \$2.00, which is applicable to Winnipeg only.

Now the rural areas, at the same dollar amount, an increase of \$2.00, as in Winnipeg, so their percentage may vary because, you know, they are way up north they are much higher and way down south they are lower than Winnipeg.

MR. URUSKI: That whole area of doing business, Winnipeg versus some of the rural areas — I gather the northern body shop rate is what, somewhere, I would estimate around \$24.00 or \$25.00 an hour, which would be about 25 percent above the Winnipeg rate. Could you give me the rural rate on windshields and body shop?

MR. DUTTON: The windshield rate have gone up \$2.00, applicable to Winnipeg; the windshield did not change for the rural rate but did in the City of Winnipeg.

MR. URUSKI: There was no increases?

MR. DUTTON: No increase for installation of windshields outside of the City of Winnipeg.

MR. URUSKI: Mr. Chairman, the contract that you have signed is for a one-year term?

MR. DUTTON: It is always, Mr. Chairman, a one-year term, yes.

MR. URUSKI: How does that compare to the rates in comparable centres across our country?

MR. DUTTON: Mr. Chairman, I know that we enjoy the lowest charge-out rates, I believe, in the country. I think it is well in excess of \$30 for instance, in British Columbia; one of the figures I had heard is \$35. an hour. I don't know offhand just what the Saskatchewan rates are but I know that whenever they ask us what we are paying they are always quite surprised that we have as low a cost as we do in Manitoba.

MR. URUSKI: Mr. Chairman, one of the areas of contention in terms of rural operators, one was the windshield area and the installation and the charges that are allowed to be charged for the replacement of windshields by small operators who of course are not able to obtain the volume discounts that many of the big glass houses are able to obtain. I gather from this that there is no change in their installation rate. Was there any reason for not changing their rate as compared to changing it for the houses in Winnipeg who have continually been, if one could say, offering discounts of one sort or another, or paying, at least by their advertisements, paying the comprehensible deductible, all sorts of ads were coming in. Could you give me the rationale for that?

MR. DUTTON: The rationale, of course, is that the Corporation has received criticism from the public, the media, and I think from elected officials, that in fact we must be paying too much for our glass installation if in fact the installers can advertise and this is done quite a bit in the country points too, "bring your Autopac claim in here and we'll waive your deductible." It seems to me very logical to assume that if they can waive \$25 and still make money, we are paying them too much in the first place. We have been trying now for three years to solve this problem, at least three years or longer; it is a very difficult one. In the last two years, I don't think the installers had an increase in rate at all, both in the city and the country, since 1978, to try to rectify the situation.

Now I know there is an argument put forth that the more glass they install, the lower the cost to them in the purchase of the glass itself, and this is one of the reasons for doing it. Nonetheless it does seem logical when you are faced with that question, if a person can give me a rebate, why are you paying them that much in the first place?

MR. URUSKI: Using that argument, why would you have then lowered the boom on the installer, the person doing the actual installing, and not hit at the root of the problem, and that is the cost of glass, where the markups are alleged to have taken place, rather at the individual who is working at the installation, doing the actual work of putting the glass in, where the difference of cost is really in the cost of glass, where the large markups are? Why would you have held the installers down to no increase for two years and now have provided some increase but you have not dealt with the question of the cost of glass where, as I understand it, is the big difference in price?

MR. DUTTON: I think there are about four major distributors in the country and we have no control over what they are going to charge or what their procedures are going to be. We do demand and

obtain a discount from them, generally speaking, for our glass work, because we are the big spenders for automobile glass in this province. Now we could, I suppose, make a deal with one of these installers that they would install all the glass in the province and probably get a lower price than we have now, but that would effectively put all the country installers out of business, would it not, and I don't think we are prepared to go that far, at least that is my thought on the subject.

If it holds true that the more glass they supply, the lower the cost, if we went into one distributor and said, "If you supplied all the glass in the province, what price would it be," we could probably knock it down quite a bit, but at what cost to the small body shop operator, etc., in the province?

MR. URUSKI: That's exactly my point. If the shop now has to pay a far greater cost for his glass, the small shop in the rural area now, regardless of what it is, would he not be in a better position to make sure that he has an adequate labour return on installation and forget about any markup because he is losing right now, as I understand it, in terms of what he has to buy his glass for. If you are paying full retail price, then it may be to your advantage to say that this is the supply house for glass in the Province of Manitoba and your markup will be on your return for installation; that is where you will make you money, and that everybody will be given an equal opportunity for having an adequate price for glass in the Province of Manitoba. Is that not another alternative?

MR. DUTTON: Yes, of course it is an alternative. I think we could go to one supply house alone and say, "You will have all the business in the province but you must charge everybody the same rate regardless of the number of plates of glass they buy from you." But I don't know whether that's a good idea either because they must have a reason for supporting people who are installing lots of glass. Also would they accept such dictation from us because we really have no control over them. The only control we have is that we are the purchaser and we could say if one of you people want to make a deal this way, we'll do business with you. Then of course, every body repair shop in the province would have to be tied into that one supplier, and they are not right now, they have contracts as I understand it with the various different members of the supply houses that they have. It's just not a real cut and dried and easy question to answer. This is the way they operate right across Canada, the supply houses, and that's the system they use, and it works well I suppose to their way of doing business, but it creates problems for us all the time. We are not the only ones that it happens to. They have systems in other provinces where they want to charge a double deductible, so to speak, but we don't want to harass the motoring public either, and that's the spot we're in.

MR. URUSKI: Mr. Chairman, no doubt it's not an easy matter to deal with but certainly by holding down the charge-out rates to small rural garages is also creating a double problem for them where many of them, as I understand it, who are not strictly rural glass houses, I'm talking about body shops who may

put in 25 or 50 windshields a year, where they would not have a volume, the kind of volume that would be able to dictate the price discounts that many other shops do but because of the system they are penalized by having a lower labour rate to install the glass and still making it very difficult for them.

Mr. Chairman, does the Corporation have records that indicate how many of the cars that have been written off have been put back on the highway; do you know?

MR. DUTTON: No, Mr. Chairman, I don't know the answer to that.

MR. URUSKI: Would you have records that indicate how many owners have taken the salvage and kept their salvage after they have agreed to settlement on a total write-off?

MR. DUTTON: No, the drill is a very simple one, and sometimes misunderstood too. If a car is damaged in an accident, it doesn't belong to us, some people think it does, it belongs to the car owner and if he agrees to a total loss offer to him, rather than a repair, or if it goes to arbitration; in any event if the decision is that it is going to be a total loss, then the motorist has a decision to make. Either he can keep the wreck, he doesn't have to release it to us, or he can release it to us. If he keeps the wreck even though we paid for a total loss, he can take it to a body shop and pay the extra costs himself to get it repaired if he wants to retain it. Or if it is then released to us we sell it at auction of which everyone is notified. They get a slip to the effect that the vehicle is not roadworthy, and if they want to take it, whoever the purchaser is, wants to get it repaired and put it back on the road that's what happens. We have no records and it's very difficult for us to keep records on those particular areas.

MR. URUSKI: How many cars are there being totalled, in say last year? Do you have records of that; how many automobiles?

MR. DUTTON: Yes, we definitely have records of the number of total losses that we have in a year. Do you want 1979 and 1980?

MR. URUSKI: Okay.

MR. DUTTON: The vehicles sold in 1979 at auction and otherwise, in salvage, were 9,325; last year 9,400.

MR. URUSKI: Vehicles in 1980?

MR. DUTTON: Yes, as opposed to 9,325 the year before. Now the return to us in dollars in 1979 was \$4.1 million, and last year \$4.7 million. If you wish to work that out you would find that the average return per unit, per car in other words, has gone up from \$438 to \$499.00.

MR. URUSKI: Mr. Chairman, those are the records of vehicles sold at auctions?

MR. DUTTON: Auctions and other sites, it's not Winnipeg, Mr. Chairman, it's other areas.

MR. URUSKI: All right, that doesn't include any figure where owners have actually kept . . . Are

there any estimates that you could give us of how many vehicles would be retained by owners for themselves initially?

MR. DUTTON: Mr. Chairman, we haven't got it right now, no.

MR. URUSKI: Would there be, and I'm guessing, more than a thousand vehicles annually?

MR. DUTTON: I don't know, I would have guessed more than a thousand. That would be my guess too, but again that's just a guess; I don't know what the true figure is.

MR. URUSKI: The reason I am raising that question, Mr. Chairman, is, when vehicles are written off and sold through the auction, of course then the plates have been removed and they are the property of the Corporation so that before they can be put back on the road, they would have to be certified that they are roadworthy, I presume, because they would have to be re-registered. However if an owner keeps his salvage, the plates remain with the vehicle and that vehicle ostensibly could be put back on the road without doing all the necessary repairs to that vehicle that should have been undertaken at the time that the vehicle was written off. Is there not a hazard and is there not a system that can be developed to prevent these vehicles, and it's been generally agreed that there's at least 1,000 or more — now not all of them will be put back on the road but certainly a fairly large number of vehicles may come back on the highway by their previous owners where the repairs are not undertaken or undertaken as what one would say as a patch-up rather than doing the adequate vehicle repairs — are there any alternatives to dealing with this rather than having these unsafe vehicles put back on the road?

MR. DUTTON: Of course we have an insurance operation, not a law enforcement operation, and really the responsibility as I see it to ensure that the vehicles on the highway are in safe driving conditions rests with the Motor Vehicle Branch and its enforcement agencies, not with Autopac. But I do believe that there are far fewer cars on our roads in Manitoba in an unsafe driving condition, or in many other territories because most cars are repaired. By using your figures and arithmetic that 1,000 cars are put back on the road, we're putting back over 100,000 cars that have been totally repaired to the satisfaction of the repair agency and the motorist who signs for it. So I don't think it is a large number of vehicles but the danger is still there, and maybe one unsafe vehicle will cause a tremendous accident, I agree, but we have no method of controlling it ourselves. We can suggest to the powers that maybe some changes ought to be made, but as quickly as an insurer, we do not enforce the regulations pertaining to what cars may or may not drive on the highway.

MR. URUSKI: Mr. Chairman, the Corporation does have control of the licencing system in terms of the computer set-up. You certainly would have access to the records in being able to pinpoint by I think a very simple procedure of notifying the Motor Vehicle Branch of which vehicles have been released to their

owners in a damaged condition. While you say the responsibility of the safety of vehicles is not your responsibility, but surely you do have some responsibility of trying to ensure, and I think you are, that most of the vehicles are repaired, but would it not be a very simple matter of notifying and of liaison between the corporation which has control of the computer program and the Motor Vehicle Branch, to notify them that these vehicles are indeed being released and that these vehicles could, within say three months or six months be called in for an inspection, and since there's only 1,000 vehicles and it may be even less because we are using hypothetical numbers, but certainly, by your own and your staff's admission that there probably isn't many more, it wouldn't be a very difficult matter of recalling those vehicles strictly on administrative procedure. Would you be opposed to that, and what kind of costs would be involved to you?

MR. DUTTON: Mr. Chairman, I would not be opposed at all. As a matter of fact we do now inform the Motor Vehicle Branch of vehicles that ought to be called in, but they're based on year. I got a letter in the mail myself to take my car through the safety lane. I found out that one of my staff who has a great sense of humour thought he'd better put the president through this to you see; naturally the car passed without any problems.

A MEMBER: The driver failed.

MR. DUTTON: The driver failed, well if he did, it was one of the Motor Vehicle Branch who were driving it. But I think your suggestion has merit, and I will certainly look into it. After all, I see no reason why we can't pass these instructions onto the Motor Vehicle Branch, but of course from there on in, it would be their operation. But we have very good co-operation from MVB and I am sure that they would welcome such a list. Thank you for suggesting it.

MR. URUSKI: Mr. Chairman, I understand that the Corporation in determining write-offs uses the book called the "Sanford Evans Gold Book of Used Car Prices." Has there been any change in evaluating the actual cash value of vehicles as put out by the industry book that you have been using, as I understand it since the inception of the Corporation?

MR. DUTTON: The Gold Book or any other book, Mr. Chairman, that is put out is a guide only, because when you are talking about the actual cash value, you can take two cars that could have cost the same when they were sold; new cars of the same model. But if you are waiting a year or two years down the road or whatever, they'll have different values perhaps. The values change whether you have new tires, new rubber, and of course tires these days are extremely expensive as we are aware; the condition of the vehicle itself, the body condition, the operating condition of it, all have a bearing on the price; these prices or changes of many repairs being made to a car that was kept in extremely good maintenance — this is brought to the attention of the adjuster at the time, and he is working on the basis of that gold book plus what the cars are selling at in the area. Any time we read the paper, you can pick up the Free Press and you will find pages of

used vehicles for sale and that has a bearing too, as to what price we are going to offer for a particular car.

I understand too that the adjusters will use the benefit of the knowledge of whoever the dealer is, or of that particular make of car and that model in arriving at a price. We want the claimant to go away satisfied, not otherwise. However, in some cases they have really inflated ideas of what the car is worth and that's when the argument starts, and then if they don't agree as you are well aware, there's an arbitration procedure where they appoint someone and we appoint someone, they arrive at the value and we must accept that value if it's different than what we have, and he's paid on that basis.

The procedure we use really is no different than is used and has been used for years in the insurance industry throughout the country. You try to arrive at what that vehicle is actually worth on the used car market.

MR. URUSKI: Using this book as a guide, and you have indicated that you use this as a guide, how accurate a picture does this book give you of the values of the various models that are within it? Of course there are certain assumptions made when this book is compiled, I assume, in terms of what average miles, and then there would be changes in equipment and its roadworthiness and that would change as the book says, deduct so much money for standard transmissions, and add so much money for power steering, power brakes and radios and additional equipment, so that would effect the book price. But how accurate in terms, and I gather this comes out what, quarterly, on a monthly basis, does this book reflect the market?

MR. DUTTON: The book is the most accurate document that you can obtain that is in print. That, plus the fact of the other factor I mentioned plus the fact that the staff we have are exposed to this more than anyone in the province would be, because they are handling, as I told you, thousands of claims a year and when it comes to total losses, we have, I would say, the best group of specialists at setting the value of a vehicle that you will find anywhere; that's their sole job. It is not necessarily done by the adjusters; we have estimators who have an idea of what these are and are kept abreast of the going prices of vehicles. They are on a first-name basis with the people in the sales agencies here, the used car dealers and everyone else. It's a relatively small community here when it comes to establishing what the sales price of these types of things are. (Interjection)— You cannot get a book that is going to be gospel on used cars.

MR. URUSKI: The book itself has a range; it has a range of wholesale to retail. It has a fairly wide ranging —(Interjection)— the condition of the vehicle — that's why there is that range. Would you say this book is out on any group of vehicles that you would not use this book as a guide, that you would . . .

MR. DUTTON: I don't think so, Mr. Chairman. That book is used, I think, by everyone in the insurance business across this country, of which there are many many thousands of total losses in a year, many times more than what we would have, and it is used

as a guide. I think that the statistics that they establish are the best guide that we can follow with every car excepting, of course, you get up to a Rolls Royce or something of this nature, then you are in a different ballpark. But we are talking about 99.9 percent of the vehicles, I would say, and that's pretty good.

MR. URUSKI: Mr. Chairman, could I ask Mr. Dutton then, why would you have now, as a matter of establishing policy, indicated that the full-size domestic vehicles should take on a different actual cash value or different base formula from other vehicles that would be in this book? What I am getting at is that this book has the major portion of the vehicles that are on the market today, both European, small, medium, but the full-size, as I understand and you can correct me if I am wrong, that the instructions that your Corporation gives to your adjusting staff is that there is a different formula that is being used to calculate the value of full-sized domestic vehicles, that rather than using the range that you have given us of wholesale to retail and looking at the condition and the equipment and arriving at a figure, that only the wholesale price of the vehicle be used in determining the value of that vehicle within this province that is being written off. Would you not say that that change is a fairly substantial change to owners of regular-sized vehicles within the Province of Manitoba in terms of what they will receive as a fair settlement based on the value of that vehicle, since the base now changes and it can change — well, for example, a full-sized Plymouth, in Western Canada the range is from wholesale at \$1,650 to \$2,350, a difference of roughly \$800 or a 50 percent difference in value of the vehicle, and I just picked that out of the book; I didn't mark it or anything. So that if you are writing that vehicle off and there is that kind of a difference and you have changed the base, in this case that's probably an extreme but there will be a range of, I would say, between 25 percent and 30 percent between the wholesale and the retail price range, those people, would they not be penalized in terms of the actual cash settlement, since it is only the full-size domestic vehicles that the change is being made for in terms of what the claimant receives as a settlement? We know that those vehicles, some of them fairly large vehicles, do consume more gas, are worth more money, and of course —(Interjection)— Well, when they paid for them, they were worth more money. (Interjection)— Now you can't sell, them, but the book does, and it is generally agreed to that the book is fairly accurate in its price range, at least that has been agreed to . . .

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, if I may answer that question before we get into too many merits here of various things. The point is that we are somewhat on the same spot, I guess, as Chrysler, they can't sell their big cars and, really, that's the problem, the big gas guzzlers, the big vehicles have not got the salable market today and the actual cash value is not worth what it would have been if they had a good market, but they haven't got it. The small cars are what people are buying and what are in demand, really.

MR. URUSKI: Mr. Chairman, I agree, but you have indicated that the book comes out monthly. Are you indicating that the reflection of the industry is that the industry, by putting this book out, does not reflect on a month-to-month basis what trends are happening? Are you saying they are farther behind than everybody else, on a month-to-month basis?

MR. DUTTON: I would say, Mr. Chairman, that there is also a territorial basis. I understand that big cars still sell in Alberta not too badly, but maybe not here, and maybe not in some other parts of the country. But, really the value of a vehicle is the value in the marketplace, its location, and if these cars aren't selling and going down in value, then they receive less in the case of a total loss.

MR. URUSKI: No doubt that the value of the vehicle is as it is in the marketplace, if the vehicle is not selling. To the owner, who would have kept his vehicle had he not written it off, he would have maintained the vehicle and, of course, didn't want to lose it, would he not be penalized twice by virtue of not receiving the value of his asset?

MR. DUTTON: But, Mr. Chairman, he is receiving the value of his asset. If he went to sell it in the marketplace, he would only get X dollars for it, and we are basing that price on what it is salable in the marketplace for. If we paid him in excess of that, I think we would be encouraging people to see us as a good purchaser.

MR. URUSKI: Mr. Chairman, you have indicated that the book, as a guideline, has been generally acceptable to the Corporation, and it does come out on a month-to-month basis. Although the base of changing the method of calculation has changed for this one segment of vehicles within the province, are you indicating that all full-sized vehicle, average-size cars, which would be the Fords, the Chevs, and Chryslers, are not salable any longer and would have to take on just the wholesale price as the base, which could amount to a fairly sizable difference in settlement?

MR. DUTTON: Mr. Chairman, I am not saying that. I am saying we intend to give the people value for their loss. Whatever that vehicle is worth in the marketplace, generally speaking, is what they are going to get. If that type of heavier gas guzzler is not selling, and certainly governments and everyone else are advocating that you use the vehicles that are a little easier on our petro supply, and those are the types of vehicles that will sell, particularly as the price of gas goes up, it means the value of these vehicles go down. As I mentioned before, that if they don't agree with that, there is the arbitration procedure than they can adopt and if we are wrong, then we are bound by whatever the decision of the arbitrators are. We tend to be fair right through, not unfair, and if we were being unfair, we would certainly change any procedure.

MR. CHAIRMAN: Perhaps, Mr. Uruski, there are a few other persons, members of the committee, who would like to ask questions. Would you permit questions from others at this point?

MR. URUSKI: If somebody wants to make a comment, a used car dealer . . .

MR. CHAIRMAN: Mr. Einarson has been waiting very patiently, and he hasn't been selling any chickens either; he has been waiting for over an hour to get two questions in.

Mr. Einarson.

MR. HENRY J. EINARSON (Rock Lake): Thank you very much, Mr. Chairman, and I thank the Member for St. George for allowing me this opportunity as well.

Mr. Chairman, I would like to get back to Eaton Place just for a moment. My reason for so doing, Mr. Chairman, is the fact that there has been considerable publicity through the press, through our phone-in radio shows in this province, people phoning in and making comments about the carpets that have been placed in Eaton Place. I am not sure, I haven't seen them, Mr. Chairman, but the exorbitant prices that they were paying for these carpets and the type of carpet that has been placed has led many people to be suspicious of what this is all about, this particular subject matter.

I wonder, Mr. Chairman, if Mr. Dutton would care to give us just a little outline as to the type of carpet, if that is possible, and what kind of a business deal did he make with the companies that they dealt with when they were purchasing carpets to be placed at Eaton Place?

MR. DUTTON: I would be glad to comment on the carpets. I, too, have had a lot of comment, even from my wife as to why I can't afford expensive carpets for the house, and that's the case. But the truth of the matter is that we had some 100,000 square feet. The average cost, installed, is \$15.90 throughout the office. I don't think we could do any better than that and if anyone wants to come in and see us and have a look at the carpet, I am sure you will be able to see your ankles once you step in them; they are not that plush or thick. It's the type of carpet that wears well, that I understand they are using in hockey arenas and so on, where there are a lot of people that are going back and forth.

The point is, they say, well perhaps, why didn't you put in tile? Well, tile, I am told, would have cost us \$9.50, but the maintenance on the tile, the cleaning and the polishing and so on, would cost us more money within the period of time that these rugs are going to last. These rugs will last — they are very difficult to wear out, I am told. We explored this cost ourselves.

Now, anyone who has been in there that walks through the building, they continue to say to me, where's this expensive rug we have heard so much about? Well, I am looking for it too.

MR. CHAIRMAN: Mr. Einarson, you have said you have another question?

MR. EINARSON: Yes, Mr. Chairman, on another subject matter, I have had some experiences in dealing with people, and it's unfortunate when we say a person gets involved in a car accident, and sometimes we have to establish where the fault lies. I am wondering, Mr. Chairman, if Mr. Dutton could elaborate, have there been many cases, as far as the total number of accidents are concerned in the past year, where fault is 50 percent or more? Also, I would like to know, when that is the case, who

makes the decision as to who is at fault and who is not at fault?

MR. DUTTON: Of course, when a claim is reported to Autopac, there are two adjusters involved, one for each side, one for car "A" and one for car "B," two separate people; not the same adjuster makes the decision for both. It may go to a different claim centre or it may go to a different part of the province, as a matter of fact. Now, we know who the adjuster is on the other side because it is instantly put into the computer and he knows when he goes to the terminal and checks who the adjuster is by a number that appears on the screen as to who is on the other side. So he writes him a letter and says, my claimant records that this is what happened in the accident; do you get the same information, do you get the same reading there? If he does, and it's a very obvious case of a rear-ender or of somebody coming through a red light, he'll say, do you agree then that your party is 100 percent at fault? He'll discuss it then with the claimant and say, from the way we see this, you came through a red light, so you are entirely at fault in the accident and that's the way we think we ought to pay out. In other words, you will be responsible for all your own deductible.

Now, the bulk of them agree to these types of things, but every once in a while, we find that there is an impossible situation to solve. For instance, both cars were at a dead stop when they collided, you know, how can you resolve a thing like that? You can't. So then we will try to rely on police reports, of course, which we pay for. The police reports may not shed a different light on the subject, or may, and we make a decision contingent upon that. If we cannot resolve it, where there are two obviously different statements, with no witnesses, no independent witnesses, then the only position we can take is to find them both at fault, 50-50. Now, that doesn't end there. They don't agree, one of them says, "But I wasn't at fault at all", so all he's got to do is go to Small Debt Court, and what he's claiming for is his deductible, or half of his deductible. So whatever their decision is, we abide by, we're bound by it. Whatever that court says, whether different evidence will come out or not, I don't know. Then if he's not happy with that, he's got an Appeal Board, too, a Rates Appeal Board, which is really for different purpose but they appeal to that, and if he's not satisfied with that, he appeals to the Ombudsman, so they have many, many sources open, and I guess if he's not satisfied with that he appeals to one of the other 57 Ombudsmen called MLAs. MLAs will write to me and say that, "Look, he's not getting a good deal". So there is lots of courses open to him to check into it and that's what happens, but we made survey about a year or two years ago and we found out that there were very few that were 50-50. I was quite surprised that the number wasn't that large that people were 50-50, and that's why I believe that a person knows he's wrong and if there's an independent witness, there's not much he can do or if the police were there and he's given a statement to the police. It's only in a case where the guy may get out of his car and say, "I'm sorry, I was at fault in this accident", but then he goes home and maybe talks it over with his wife, talks to his friends over a drink or something and says, "To heck with it, I'm not going to be 50 at fault, I see things a little differently

now after a few days'. Now, if there are no witnesses, then sometimes we have quite a dispute on those.

MR. EINARSON: So then, Mr. Chairman, about the total number of accidents in Manitoba, you don't know exactly how many cases have appealed because they weren't satisfied. Is there 50 percent or more at fault that you claim they were . . .

MR. DUTTON: No, the minority of the fault is 50-50. Of course, after that somebody has to be more than 50 percent at fault. If we establish that the majority of people are not 50-50 at fault then the majority of people, someone must have been more than 50-50 percent at fault, could be 75-25 or whatever. It's a type of thing that has to be negotiated and has to be sorted out based on witnesses, based on statements; try to find out if there was any alcohol involved. Incidentally I've never met anyone yet that drank more than three beers in the province, so that was no alcohol, but that's the situation. That's how we do it, try to be fair. I suppose sometimes mistakes are made. They're bound to be when you get 25,000 or more claims in a year. We're bound to make errors too.

MR. EINARSON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Thank you, Mr. Chairman.

Could I ask the Chairman or the General Manager following up on the issue of office space, what is the cost to the Corporation, is it an annual lease rate? What is the cost of the new lease agreement to the Corporation on an annual basis?

MR. DUTTON: It's on an annual basis and the rate was as I said \$8.95, of course you have got to work that out. I haven't worked that out. \$945,000 that works out to.

MR. URUSKI: On top of that would be your utilities and . . .

MR. DUTTON: It's all in excepting an extra 50 cents per square foot for power, for lights, that's all, which is frozen for five years or something.

MR. URUSKI: Mr. Chairman, the cost of leasing versus the investment of building, is the Corporation — the lease rate, as I gather, is for a 10-year period. Could the Corporation have gone into its own premises in terms of being able to amortize a building at the rate of cost that you are paying now?

MR. DUTTON: Mr. Chairman, yes. I was always interested in, I suppose like anyone is, I mean as a president or general manager of a company as someday moving into our own premises, but not on the basis of the deal that we got on Eaton Place. In my view it is a much more economical for us to rent that space than it would have been for us to build our building.

In the first place it cost us \$1 million, that's all, for renovation as opposed to maybe \$15 to \$20 million if we build a building and that amortized over a period of 10 years at \$100,000 a year is an extremely

reasonable cost for us. I believe that I can write that off in administrative savings by the fact that we're on two floors and we can move so freely back and forth. For instance, I don't have to have a van now moving stuff from one location to another throughout the city. There were always problems of this nature, even parking alone was expensive when you start moving around. I think the saving is this area and if we were to put out \$15 million to \$20 million a year at the present days interest rate, it would have cost us way over what we're paying now in interest losses alone for the building of that building, so because of the cost of it, the extremely low cost at \$8.95, I think we're much better off where we are to lease.

MR. URUSKI: Mr. Chairman, could the General Manager indicate in terms of the rating. I had a problem posed to me where a motorist resides, by virtue of his employment, in a remote community and will be there for several years. His vehicle remains in a community in Southern Manitoba, but because of his present address, or at least his residence and the vehicle can't go to that remote community because, I imagine it could if he wanted to pay the charges of freighting it up there, because only by train can the vehicle be there, but the vehicle remains based in Southern Manitoba and is used occasionally by people residing in that community in Southern Manitoba and not used at all in Northern Manitoba. The individual, I presume by a virtue of his present address, has been advised to register his vehicle at the rate in Northern Manitoba, which would be substantially higher than the rate in rural setting. Is there any hard fast policy in respect to that or is that individual able to leave his car registered at an address where he comes, and the only time he comes to Southern Manitoba, and where the vehicle is being used. Is that open to him, or is that the right area that he should have registered it, even though the vehicle is not in Northern Manitoba?

MR. DUTTON: Mr. Chairman, that is a highly unusual situation, but the whole program is on a computer as you know and it is based upon his home address as to where he pays the rate. If he is living up in Flin Flon, for instance, or up in Churchill or Thompson it would be based on those rates, because we would have no way of knowing other than his word, which you maybe able to take or may not. You would know the individual in this case, we'd assume that the story he's telling us is correct, but we don't know them, and the computer doesn't know them; they have to be based on their home address. It's the same way too, perhaps there is some inequities, they've been drawn to my attention a number of times; a number of people live outside of the City of Winnipeg, beyond the perimeter, but really drive the car in the City of Winnipeg and yet they get territory 2 rates. There's inequities in the system, there's no question about it. To resolve them, I really don't know the full answer at this time, other than flat rating which I don't think is fair either.

MR. URUSKI: In the situation that I've described to you, would he be in contravention of his policy providing the vehicle, if he registered at where the vehicle is being driven in Southern Manitoba, if it's not in there, how does one view that?

MR. DUTTON: He'd be in violation of his contract if he had an accident, I would say. It would be a case

where the matter would be thoroughly investigated and we would have to consider maybe an express payment, but technically he'd be in violation.

MR. URUSKI: Mr. Chairman, two years ago the Corporation, by government policy, changed its practices and changed the accounting from the Provincial Auditor to a private firm, as was a list from a list or at least as it was delegated to them by the Government. Could the General Manager indicate what the costs of accounting are last year, as compared to this year?

MR. DUTTON: It costs \$70,000, I believe, a year that they charge us for that. \$70,000 a year.

MR. URUSKI: Did that remain constant from last year?

MR. DUTTON: Yes, that same price.

MR. URUSKI: So that the cost, I believe two years ago was roughly some \$30,000, remains at twice the cost of what it was originally?

MR. DUTTON: I think that is correct, Mr. Chairman.

MR. URUSKI: Mr. Chairman, in terms of the operations of the Corporation, does the present Chairman of the Corporation view any changes in the method of operation that the Corporation will be involved in in this coming year?

MR. CHAIRMAN: Mr. MacLean.

MR. MacLEAN: Not specifically, I found that the Corporation since I've been there and before my time, probably due to maybe some of your leadership, but it's been running pretty good. There's no basic changes that I can see that are going to be required. There will be certainly something with regard to administration, there always is, but I see no basic change in the policy of the Board of Directors.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. Chairman, in terms of the general insurance area, the Corporation by, of course, its financial record has done quite well. What has been the record of business in this past year and how is it doing at the present time?

MR. DUTTON: Well, the Corporation, Mr. Chairman, and the general business continues to increase the premium. It's looking alright at this stage both in productivity and in profit. Of course, we've got a long way to go before the end of the year and as you're aware anything can happen, you could have a catastrophe, you could have many things, but as it appears now, it looks like we're in for another profitable year.

I think I should mention that the insurance industry generally speaking, from all the trade magazines that I read and all the reports that I constantly look over from other companies, is having somewhat of a difficult year this past year. The Royal Insurance Group, which is the biggest one perhaps in the world and certainly the largest writer in Canada by far, has

suffered, from the last report announced by their President, a \$65 million loss last year, which to us would be horrendous, of course, but it just gives some impact on what we term is the soft marketplace ratewise and coverage-wise. The fact that inflation is still there is hurting the general insurance business right across the country as indeed it is hurting the automobile insurance business, because the rates in other territories range from anywhere up to 38 percent increase in this last year to try to pull themselves out of a red situation. In next few years we may be seeing a couple of interesting changes in the insurance business in this country.

The reason they are allowed to continue with such soft rates is that there is a surplus of reinsurance market today and so long as the reinsurers are prepared to reinsure the risks at those rates, then the companies are going to continue to put the business on their books and live off their investments, which are very good, but if the interest rate ever goes down, the insurance industry will be in serious difficulty.

MR. URUSKI: Mr. Chairman, in terms of the market being soft, has the Corporation been able to maintain or is it a difficult situation to maintain its place in the marketplace? I presume as a result of inflation the values of assets and the dollar value of the items that are being insured is escalating substantially on the books, but being that there is such extreme competition, is it just for the sake of writing insurance, just to put the business on the books and live off the investment? Is that the name of the game in the industry now?

MR. DUTTON: I'm very much afraid that it has been the name of the game and it is still with the insurance industry today. As a matter of fact, a very prominent company, there's no need for me to name them, they have just been out of business in this country.

They started about four years ago, I guess, and they were relying upon their investment income cash flow. In other words, they found out they were reinsuring a great deal of their business in the reinsurance market, and because of a surplus of reinsurance capacity were able to do so. They were only keeping about 10 percent to themselves and the rest was being funneled over to reinsurance. They were living on the investment income. It all went fine until the rates have been depressed so low that they had a couple, well more than a couple, but a number of jumbo losses.

They found out that the reinsurers were unlicensed reinsurers and indeed were doing the same thing that they were, living off their investment income and didn't have the money to pay the losses immediately. So the Federal Superintendent of Insurance has asked them to put up, just recently, an extra \$5 million and has closed their doors from the acceptance of any more business and some of the insurance companies, including ourselves, have been asked to bale them out or whatever you could, for \$100,000 to \$150,000, until such time that they could recover their reinsurance from the reinsurers, if they ever get it.

They've asked one of the claimants himself to put up \$1 million or offer to do so, which is easier and

better to put up \$1 million then get paid a claim some day, then not get paid at all, I guess. A couple of big brokers are putting up \$1.5 million.

So this is one of the dangers and this is the position that the industry will find itself in and everybody that's in the general insurance business, or any insurance business at all recognizes that there are problems facing the industry. The public doesn't realize it as yet, but maybe a couple of years down the road, it may happen.

You see a few years ago, about six years ago, the industry lost hundreds of millions of dollars in one year. That trend is coming back, the cycle is there. The pendulum has swung full way, I think.

MR. URUSKI: With the economic situation the way it's been in North American and Canadian area that you're seeing more and more losses, and losses that are suspected, for one cause or another of arson or the like, and it's as a result of the economy, the industry now finds itself, and you could find yourself in a very very difficult position.

Are insurers beginning to become selective in the way they're handling their new business? Do you expect a tightening in the marketplace? At least you've indicated the rates are fluctuating, but is there, while the rates may be soft, is there a tightening of the type of business that is being written?

MR. DUTTON: There ought to be a tightening, Mr. Chairman, but I'm afraid it will not come about while there's a surplus of reinsurance market. The capacity is there, they're going to continue to do it. It's only when this catches up that you'll find it, and it may happen, as it did previously, with a big crunch, as you recall.

Incidentally, to see or try to prevent that type of thing happening to the general business, happening to us, we have what we call in the trade, IB and R, "incurred but not reserved" losses. So we build our IB and R, which is in the report at an excess of \$5 million in the general business. I know the Provincial Auditor is of the view that we have too large a reserve there, but I prefer to accept that type of constructive criticism from him, rather than him telling me there's not enough in IB and R, but that is in our report to try to lessen any blow if we run into it.

MR. URUSKI: The reinsurance market that you've mentioned is primarily a European market?

MR. DUTTON: The reinsurance market used to be primarily European, Mr. Chairman, but we find that American companies are in it, the Japanese, a few others, even the People's Insurance Office of China is looking at that type of thing now. So that's why there's such a surplus of capacity and everybody wants business and while they want it, they're giving it away, you see and that's what's heading us for a problem one of these days.

I think one of the biggest buys that you can get in Canada or North American today is fire insurance, general insurance or casualty insurance. The rates are so low, everybody's fighting for it, in spite of this inflation. Inflation stays with us and as rates come down, that line is going to cross and when it does, a few problems, particularly if there's ever any changes in the investment interest rate.

MR. URUSKI: Mr. Chairman, seeing that, has the corporation had to do many changes in its treaties that it now has. Have you moved business all over the place or have you kept with the traditional, if one could use that word, reinsurers that you've dealt with up to this point, or have you had to go shopping in order to meet the market and the like?

MR. DUTTON: Mr. Chairman, we haven't shopped for reinsurance. I've always held the view that we are simply banking dollars when we're dealing with reinsurers. If the day comes that we need them, then they'll be there. That's what reinsurance is all about and what we live on, the corporation, is our good reputation. It is a good reputation with the reinsurance mostly Lloyds of London and other traditional reinsurance companies. We've very jealous of that reputation and we wish to retain it at all times. It'll help us out.

I will give you one example. One of the problems we had, about 1974 we had a bad accident in which a CPR train came off the track. I imagine this happened a few times since then, but in this particular case was carrying a couple of trailers, which we had insured of course, carrying our license plates, and the trailers were totally destroyed. The contents, which were insured by another company, were also destroyed. So the other company sued the CPR, they paid out the claim, subrogated and sued the CPR, and we did the same thing too. They put in a countersuit against us, and lo and behold, after all that period of time we lost the court case and the judgment came down \$1 million against us.

Now we only had \$100,000 up in reserve and this is where this term IB and R comes in, but we did have our reinsurance in the traditional marketplace, it was through London Brokers. I picked up that phone when I heard about it, here this thing is over six years old since it happened, and we hadn't renewed that treaty and I said, "I'm awful sorry, but this has what has happened." They'd known that the potential was there before and then they came back and said, "Well, that's tough luck old chap, but that's what we're here for." They're going to pay the \$1 million if we lose our appeal.

So this is what reinsurance is about, and why the traditional market is so very important to us. I think it is to any company.

MR. URUSKI: Mr. Chairman, are there any new areas of business that have come on the market in the last while, that you are or are not insuring in terms of the general insurance field?

MR. DUTTON: We are going to get a bit more aggressive in farm risks. We have not done so up until now, but our country agents don't get, and Autopac too, don't get the breaks that they do in the city, because of the amount of vehicles that they can insure. We believe a number of the people, who are working for us, should also get into farm business, where they can supplement their income too. You know, farmers have to have insurance. So we're getting a little more aggressive in this area.

We're having a look at boiler and machinery coverage too, which we haven't been in up until now, but we would make an arrangement with one of the traditional boiler and machinery companies, whose operating here now for reinsurance. It will not disrupt

any of the present carriers, it will simply distribute it from their policy head to ours.

MR. URUSKI: Tell me, I've had comments made to me, you've seen in the last year financial institutions go bankrupt and many people's savings in those institutions lost in terms of the Mortgage Investment Corporations.

Is there insurance available for people who invest money, because they are, if you invest in a financial institution, I think The Bank Act limited their liability to \$20,000.00. (Interjection)— Yes, so that your savings are insured to a limit of \$20,000.00. Anyone who say invests and has life savings beyond that point and if the institution should become insolvent may lose his savings.

Are there insurers in the market that will cover that type of an eventuality, where a person can insure his savings, his or her savings, that may be within a financial institution, over and above what is already available or mandatory throughout the industry? Is that available?

MR. DUTTON: I don't think readily available, because really to carry that through to its final conclusion people would be insuring their investments and I don't know what we could do to charge or guarantee that a big slump in the stock market is not going to cause somebody a lot of money, so we're certainly not in it anyway.

MR. URUSKI: Mr. Chairman, in terms of financial assets, you indicate that, of course, you could not predict, but that's really the basis of insurance, is to insure against any eventuality. Are you stating that although you do not carry it, to your knowledge is it available on any market that you're aware of?

MR. DUTTON: Not to my knowledge. The various banks and banking institutions, if I may embrace them all, have their own protections of course, which they will protect a depositor's investment, but not through the general insurance field as we know it are we going to do these types of things.

MR. URUSKI: Mr. Chairman, the General Manager indicates that you're intending to expand into the farm insurance area. What percentage of the business would you now have of the farm coverage in Manitoba?

MR. DUTTON: Extremely minimal, Mr. Chairman. I don't know what the dollar value is, but extremely minimal. We have not gone after this area at all. I think the farm rates here are pretty well protected in this province. You know, you have other domestic companies here, who are built on farm business, and I refer to the Wawanesa and the Portage, and they're good companies that have been doing an excellent job, excepting that perhaps the agents that represent us do not represent them and they're effectively being cut out of the field, which if we can obtain the business on a competitive basis from the Wawanesa or Portage, I think that market should be there for them; the farmer if he wishes it and for the agent if he wishes to use it.

MR. URUSKI: Mr. Chairman, what type of program do you have in mind in terms of the expansion of the

farm insurance? Is there any set pattern or is it just working through existing? Are you appointing any new agents in the general insurance field to head into those areas, because I know the appointment of general insurance agents is separate from the Autopac area?

What way are you intending to advance in this field?

MR. DUTTON: We're not progressively going through it through appointing more outlets or more agents, no. We will simply make it available and by use of a poster and a brochure to put in the agent's office, that's about the extent of it.

Local agents may do some advertising themselves that it's available, but it's not really a big drive as such, it's just that it probably will be noticeable. I hope it is, advertising isn't very effective and nobody knows, but it probably will be.

MR. URUSKI: Mr. Chairman, has there been any large losses that the Corporation has sustained in automobile and general insurance in the last while?

MR. DUTTON: Yes, there has been some large losses in fires. The values have accelerated so greatly in the last ten years that it's not unusual now to have homes insured and residence for over \$100,000, and if you get that in any country point, you have a total loss proposition on your hands, and what would have ten years ago been maybe a \$10,000, \$15,000, \$20,000 loss has suddenly zoomed to \$100,000.00.

Two or three of those in a year really hurts unless you have proper reinsurance and even so it hurts the reinsurers, but that's the position that, I think, is rapidly approaching and these types of losses are occurring.

Combined with that, if we get anything this summer such as a bad hailstorm when there is damage to thousands of roofs, for instance, in a city like Winnipeg, it will cost you \$2,000 each, probably, to replace them, you can imagine the position that many of the companies who have a lot of business are going to be in.

You protect yourself by building up a catastrophe reserve; ours is in the book, the amount that we have built up; plus you buy catastrophe reinsurance which, on those layers, you participate usually 5 percent yourself, 5 or 10, depending upon the type of contract you make. That's how you try to overcome this type of event. But if a big loss does occur, I can tell you that all the general managers of insurance companies are going to be looking at the sky with frowns in their foreheads and wondering how much that is going to cost them by the time they get down to the office, because they are very costly.

MR. URUSKI: Mr. Chairman, in the last several months, over the last year, the hog industry in the Province of Manitoba and indeed in this country, but primarily in Manitoba, with the returns to hog producers with no stability in the market has caused a number of barns to — now, whether that has been the prime cause or not — but there certainly have been reports of suspected cases. Has the Corporation been involved in any of those losses?

MR. DUTTON: There was an arson loss — you may have read about it in the paper — recently, in which

the arsonist was caught and convicted. Now, we had the insurance on this and the other insurer and ourselves are very suspicious of this type of thing and they do a little prompting when it comes to the investigation of it; but there are some that you can be suspicious of but not be able to prove it. You know, you can prove that the fire was set, but you have to prove that the insured set it and that's a different score; otherwise, you have to pay out.

MR. URUSKI: In the case where a fire has been set and it was not by the insured, is the Corporation or any insurance company obliged to cover the loss?

MR. DUTTON: The insurance company has to pay a loss, even if it is arson, unless they can prove that arson was initiated by the insurer, because he is the one that has to be paid because after all, a fellow could say, look, Bill Smith, my neighbour doesn't like, Peter Jones, and he burned my place; why should I suffer? So if you can prove that there is an arsonist who did it, you can pay the insurance claim and subrogate and try to collect while the other guy is in jail, but, you know, it is hopeless. It is pretty difficult to control arson, but there is an awful lot of arson, I think, going on in the country right now; not specifically in Manitoba, but there is a lot of it.

MR. CHAIRMAN: Mr. Uruski, the hour being 12:30, do you have many more questions, or what would be your suggestion?

MR. URUSKI: Mr. Chairman, I have a few more points to make. I gather we are meeting tomorrow, I believe, with the Telephone System. I am at your disposal.

MR. CHAIRMAN: Approximately in minutes, how much longer would you wish to ask questions?

MR. URUSKI: Mr. Chairman, I don't think we would finish today. It certainly wouldn't take us very long to finish off, but we wouldn't finish today.

MR. CHAIRMAN: Then we will have committee rise, and committee will be sitting again on Friday afternoon at two o'clock. I will have to look for some guidance from Mr. Mercier in the House as to whether we will have the Public Insurance and Telephones, or just one or the other.

Committee rise.