

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**

**Tuesday, 14 July, 1987**

**TIME - 10:00 a.m.**

**LOCATION - Winnipeg, Manitoba**

**CHAIRMAN - Mr. D. Scott (Inkster)**

**ATTENDANCE -11- QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Bucklaschuk, Doer, Harapiak  
(The Pas), Schroeder, Storie

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

**APPEARING:** Mrs. S. Carstairs, MLA for River Heights

Mr. Robert Silver, President and General Manager, Manitoba Public Insurance Corporation

Mr. Fred Jackson, Provincial Auditor

Mr. R. Mayer, Director of Special Audits

**MATTERS UNDER DISCUSSION:**

Annual Report of the Manitoba Public Insurance Corporation (1986).

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**MR. CHAIRMAN:** Committee, come to order.

Members of the committee, the last time we met there were several questions asked. I understand that the Minister has an opening statement, so I'll call on the Minister to make that statement, please. Copies have been circulated.

Mr. Minister.

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

This is the fourth time this committee has met to review the Manitoba Public Insurance Corporation Annual Report for the year ending October 1986. It is the second time we have met since the Provincial Auditor completed his special audit on reinsurance.

I believe it's safe to say that these committee hearings have been a major part of the most thorough and open review of the corporation since it was created in 1970. During the course of this review, we have provided unprecedented access to the corporation board's minutes. We have released all pertinent documents relating to reinsurance and, of course, Mr. Chairperson, at the request of the government, the Provincial Auditor has performed and released an extensive special audit on reinsurance. While this open and forthright process has been important, I believe it is the steps that have been taken to strengthen the corporation that are of the greatest benefit to Manitobans.

The Manitoba Public Insurance Corporation is a valuable Manitoba asset. Through MPIC, Manitobans

enjoy some of the lowest automobile insurance rates anywhere in North America. Our General Insurance Division has served thousands of Manitobans well, including many small businesses and community organizations that would not be operating today if it were not for the Manitoba Public Insurance Corporation.

Mr. Chairperson, there are those who have opposed the corporation from its very inception, among them members of the Opposition. We, on this side, are committed to a strong and viable Public Insurance Corporation and one that continues to serve Manitobans well. That is why, over the last several years, we have taken a number of steps to first identify and later to deal with the very real problems in reinsurance.

I began raising concerns regarding reinsurance operations prior to 1984. In 1984, we began systematically to close the old book on reinsurance. This is the book, according to the Auditor, responsible for both the bulk of the losses and incurred but not reported provisions showing up in the annual reports today. Most of this book was written when the members of the Opposition were in government. Some of it was written earlier, some of it later. The mistakes of the late Seventies and the early Eighties will not be repeated.

In addition to the changes that began in 1984, we have recently announced that we will be hiring staff to work internally to bring more expertise into the corporation. We are hiring an independent expert to assist the corporation in reinsurance. As board vacancy occurs, we will follow the Auditor's recommendations. We are taking and following the advice and direction provided by the Auditor. These are the facts; these are the issues. The time for political grandstanding, innuendo and wild accusations is over. It is time to put aside political ambition and vicious personal attacks and get on with the business of building and preserving Manitoba's Public Insurance Corporation.

Matters of privilege, such as the one raised by the Leader of the Opposition, who refuses or is unable to distinguish between a loss and a provision for incurred but not reported liabilities, are no help. Meaningless paper trails manipulated to make fiction appear as fact are of no help. If members of this committee are truly committed to the interest of Manitobans, then they will begin to put these interests aside, ahead of their own personal narrow pursuits.

Mr. Chairperson, I repeat, we will not allow the mistakes of the late Seventies and early Eighties to repeat themselves. We are committed to public insurance in Manitoba, and we will do all that is necessary to ensure that Manitobans continue to receive the low rates and quality service that they have come to expect from the Manitoba Public Insurance Corporation.

**MR. CHAIRMAN:** Thank you, Mr. Minister.

Mr. Filmon, do you want to begin? Just before you do begin, Mr. Filmon, Mrs. Carstairs has asked to be

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recognized at some point this morning. She has missed previous meetings and I think it's only proper that we do attempt to provide her, as under the rules an independent member has a difficult time in being able to get in to break up the line of questioning sometimes. So I will interrupt at some time this morning's proceedings to be able to allow Mrs. Carstairs, if it is proceeding in such a way that she is not able to participate.

Mr. Filmon.

**MR. G. FILMON:** I certainly concur with that decision, Mr. Chairman. I would recognize Mrs. Carstairs anywhere, actually, despite her new hairstyle.

Mr. Chairman, I think it's best to simply just ignore the opening statement of the Minister because again it contains changes in position. This Minister has no credibility or no integrity to support in terms of the previous things that are on the record and his changes of position and his obviously admitted inaccuracies. The differences of reporting that are between him and other people who attend meetings are in the accounts of the Auditor's report, and there is absolutely no point in my addressing those ridiculous remarks that he once again puts in his opening statement. So let's get right down to some facts and figures with respect to the corporation and try and make maximum use of our time on the matter.

Mr. Chairman, I wonder if the Minister can begin by addressing a question with respect to this year's Autopac operation. I wonder if he can indicate what the six-month position of the Auto Insurance Division of MPIC is in this current operating year.

**HON. J. BUCKLASCHUK:** Well, the operating position of the corporation for the year beginning November 1, 1986 to October 31, 1987 will be made public in the next annual report.

At this time, I don't think it would be responsible to comment on what has been the performance during the past year. There are months when you have more than the normal number of claims. There are months when you have a less than the average number of claims and there are always, during the year, adjustments to be made. I don't think it would serve any purpose at this time to speculate on what the performance has been.

**MR. G. FILMON:** Is the Minister indicating that nobody in the corporation has that information and has that knowledge? Is the Minister indicating that he doesn't have that information or that knowledge of where the Auto Insurance Division stands in the first six months of this current operating year?

**HON. J. BUCKLASCHUK:** We are dealing with the annual report for the year ending October 31, 1986. I would hesitate to comment on what has happened within the past six or eight months. If I gave one figure, I'm sure that the next month, when some other figures came down, I'd be criticized by the Opposition for having misled this committee.

**MR. G. FILMON:** No.

**HON. J. BUCKLASCHUK:** Well, I'm just going by past performance.

**MR. G. FILMON:** The Minister responsible for Manfor gave us a projection recently on Manfor's operations within the current year. They've done it at previous committee meetings as to knowing what the six-month statement is, knowing what - because the Minister has begun in his opening statement by saying that he's learned from past mistakes that the corporation is on a positive track and that everything is going positively. So he might be able to support that if he were willing to give us a six-month statement position with respect to the auto insurance.

I'm told - and the Minister can correct me if I'm wrong - that the board is given that kind of projection monthly, that kind of statement as to where the corporation stands on a monthly basis at its meetings.

Why would that not be available for use of the committee?

**HON. J. BUCKLASCHUK:** As I indicated before, to give a snapshot of where we are at this present time would not be very responsible. There are months when you have a larger number than projected claims; you have months when there are a lesser number. Whatever the figure might be at the end of June or the end of March in no way can give us an indication of where we will find ourselves at the end of October. There is a process that each year the annual report is tabled in the House. It is discussed in committee. We will be providing that again as we have in the past 14 or 15 years. I don't see what purpose it would serve at this time to simply throw a figure into the air and say, well, this is where we're at.

**MR. G. FILMON:** The Minister's colleague, the Minister of Finance, does that quarterly, gives us quarterly financial statements to tell us where we're at with respect to the operation of the entire government.

He then is able to adjust it and able to explain to the media at the end of that time as to why, at the end of nine months, it was greater or lesser than what it was at the end of six months and at the end of a year how the adjustment - we just got the preliminary financial statement for the year end and it turned out to be \$7 million better than had been projected a few months earlier, and the Minister took credit for having tightened down the operation of the government.

Why wouldn't this Minister, who presumably has told us that things are on a positive track, that he's made the adjustment, learned from the mistakes, why wouldn't he be prepared to tell us what the current six-month financial statement is for the Auto Insurance Division?

**HON. J. BUCKLASCHUK:** It is true that the Minister of Finance reports on a quarterly basis. That practice has been adopted for a number of years.

The practice in the Manitoba Public Insurance Corporation is not to publicize a month-by-month running account of where the corporation is at. The proper time to report is in the annual report for the year-end, October 31, when all the adjustments have been made, when we do know in fact what the claims experience has been for the year, and that is the practice I intend to continue.

A report will be made available as soon as possible after year-end. It will be tabled in the Legislative

Assembly and will be forwarded to committee for discussion.

**MR. G. FILMON:** Mr. Chairman, at this point in time, the corporation will have collected almost all of its premiums. The requirements for the second premium collection have passed, the second portion of the premium, so in terms of its income, it's almost totally set, fixed; in terms of its claims, the vast majority of the claims obviously as well. It is on an ongoing basis and a projection, but any of the difficult periods like winter and the storm periods are there.

What is the Minister afraid of in terms of giving us a projection that would give - not only the committee, but the people of the province - a pretty firm indication as to whether or not the Minister has done what he said he has done in turning the corporation around onto a more positive vein.

**HON. J. BUCKLASCHUK:** First of all, the Member for Tuxedo makes the assumption - he mentioned, well, winter is passed. He's assuming that the worst claims experience is during the winter. That is not necessarily the case. We could have a massive hailstorm within the next week or two and it would just throw everything out of kilter.

The corporation, through the Minister, does report to the public of Manitoba annually after the year-end has been - all the adjustments have been made, the experience has been tabulated. That will be again done this year. The report will be provided to the Assembly as soon as possible and whatever debate there may be will take place at a committee, once we do have figures that are reliable.

I could as easily say if there is a \$12 million profit at this time as a \$12 million loss. What difference does it make if, two months down the road, we have some calamity or, on the other hand, we'd have a by far better-than-average track record? It's totally immaterial.

**MR. G. FILMON:** Mr. Chairman, so much for the opening statement of the Minister in which he said these hearings have been a major part of the most thorough and open review of the corporation since it was created. He said that, while this open and forthright process has been important, I believe it is the steps that have been taken to strengthen the corporation that are of the greatest benefit to Manitoba. He is unwilling to answer, giving information that's at his disposal - right now, he's unwilling to put it on the table in this so-called open and forthright process and he's unwilling to give a demonstration that the corporation has been strengthened in any way, shape or form. I say this Minister can't be believed in anything that he puts forward.

Mr. Chairman, I don't want to deal on this kind of basis, but there are rumours - and I don't want to say that they are anything other than that, because I wouldn't want to suggest that they're right if they're not - but there are rumours of fairly major losses continuing this year in the Auto Insurance Division. I wonder if the Minister would like to refute those rumours or indicate just exactly what has been happening in the first six months of the operating year in the Auto Insurance Division.

**HON. J. BUCKLASCHUK:** The line of questioning from the Leader of the Opposition is quite interesting. It's very clear that the member admits that he's lost the reinsurance battle -(Interjection)- well, yes, of course. The fact is that the Provincial Auditor reviewed the issue that developed in the spring of this year, and that was the reinsurance. He didn't at any time review the Autopac section; there was never any problem in the Autopac section.

The Leader of the Opposition, by his line of questioning, would indicate there were some sort of problems there. The reference in the Provincial Auditor's Report - the study was entirely devoted to the reinsurance issue. Interesting that the leader no longer has any questions on that and is now off on another tangent, as has been the case for the past four or five months. When you find that there is no substance to your allegations, dash off in another direction, because there may be something there.

**MR. G. FILMON:** Mr. Chairman, the Minister has been convicted by his own words on the record. He has misled the committee and the people of Manitoba on many occasions. His lies have condemned him to the point that even his own Premier now has acknowledged that he doesn't need to do anything, that he can do anything and still get away with it.

**MR. CHAIRMAN:** Order please.  
Mr. Storie.

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

The Leader of the Opposition uses language in this committee that is clearly unparliamentary. Not only is it unparliamentary, but it's inaccurate. If any misleading statements have been made in here consistently, it's by the Leader of the Opposition on every count. He has obviously lost the initiative. He doesn't know where to go. Mr. Chairperson, I would ask you to bring the Leader of the Opposition to order because we are here to review the 1986-87 annual report. That is the work of this committee, and the Leader of the Opposition is meandering aimlessly around, trying to land upon an issue.

**MR. CHAIRMAN:** The Leader of the Opposition's statements that I heard a couple of minutes ago referring to - and using the term lies - I would ask him to withdraw that if he would, please. I would also ask members of the committee to return if we could to the agenda that we have before us, the review of the report of MPIC.

**MR. G. FILMON:** Mr. Chairman, that's precisely what I'm trying to deal with, the operation of MPIC. I was criticized earlier for spending too much time on reinsurance when MPIC is in the auto insurance business. Now the Minister, who is very nervous and upset about the fact that I'm asking questions about the Auto Insurance Division of MPIC, goes to the other side of the argument and says, why have you quit asking questions on the Reinsurance Division. The fact of the matter is that he's dodging the issue every time. He has no credibility and he continues not to want to answer questions on the corporation that's under his operation.

I'll withdraw the term "lie" because it is unparliamentary, as I said earlier, not because it isn't the truth. But, Mr. Chairman, I want the Minister to then answer the question.

The Minister responsible for Workers Compensation misled on many occasions and he had been totally discredited, so he understands and sympathizes with the Member for Gimli. But he too is a member of the walking dead, so we'll leave him out of this.

Mr. Chairman, what are the losses for the first six months of this year in the Auto Insurance Division? Will the Minister indicate? There are rumours of \$19 million losses in the Auto Insurance Division. Is that an accurate figure? What is the projection at the present time? What are the latest figures on the operation of the Auto Insurance Division?

**HON. J. BUCKLASCHUK:** Mr. Chairperson, it's my understanding that the purpose of this committee is to review the Annual Report of the Manitoba Public Insurance Corporation. This is the report that is under review, ending October 31, 1986. To deal at a committee level with rumours, I would suggest is not being a responsible representative of the people of Manitoba.

I have indicated that whatever figure one wants to give, whether it be a \$12 million profit or a \$12 million loss, at this time, is totally meaningless. We will have those figures for the committee, for all members of the Legislature, for all Manitobans, once the October 31, 1987 report is finished.

It is impossible to predict at this time what may take place two weeks down the road, two months down the road, or five months down the road. I'm not prepared to deal in speculation.

**MR. G. FILMON:** What is the current figure because, if there are major happenings such as a hailstorm or an ice storm in October, those things will obviously be known to the public and the public will have an explanation for any major differences in the financial position? Tell us what the current figures show.

**HON. J. BUCKLASCHUK:** I will go back to my former statement that the purpose of this committee is to review the year-end annual report, 1986 annual report. To deal with what the situation may be today or may have been three months ago or may be three months down the road is totally speculative, and I don't understand what purpose that would serve.

**MR. G. FILMON:** So much for the open and forthright process. So much for the steps that have been taken to ensure that the corporation is in good management hands under this Minister, Mr. Chairman.

I wonder if the Minister could indicate when the rates are set, let's say, for the Auto Insurance Division each year, at what point in time.

**HON. J. BUCKLASCHUK:** I think that anybody who has been following MPIC for the past 16 years would know that the rates are announced some time prior to the issuance of the new registration notices.

**MR. G. FILMON:** You mean, you wouldn't send out the registration notices without the new rates?

**HON. J. BUCKLASCHUK:** That's right.

**MR. G. FILMON:** No.

**HON. J. BUCKLASCHUK:** The rates are generally made public somewhere around the end of December, once the corporation has had the opportunity to review what has taken place in the preceding year, the end of December, beginning of January. But I believe the notices are sent out some time at that time and they are preprinted with the rates in effect for the period March 1 to February 28 of the following year, I believe.

**MR. G. FILMON:** Given that there is a computerized printing of renewal notices and figures have to be input to the computer with the new rates and so on, what is the latest point in time at which those rates can be set?

**HON. J. BUCKLASCHUK:** I'm advised that the corporation would have to know by the beginning of January, which is what I said previously.

**MR. G. FILMON:** The 1st of January is the - what is the process of approval of the rates? Does the management set the rates? Who sets the rates?

**HON. J. BUCKLASCHUK:** The process is that the corporation will review the experience in the preceding year. We'll have to project what the increases might be for the forthcoming year in terms of number of claims, number of accidents.

They will also have to project what the increase in repair costs might be. They will have to take a look at the inflationary pressures. Quite a number of factors are under consideration in the determination of the proposed rates. These will, under the legislation, by the Crown reform legislation, be reviewed. I believe there will be recommendations to the holding company which will then further review the proposals from the corporation.

**MR. G. FILMON:** Management puts forward a proposal for increased rates to the board?

**HON. J. BUCKLASCHUK:** To the board.

**MR. G. FILMON:** Where does it go from there?

**HON. J. BUCKLASCHUK:** One of the responsibilities, as a result of the Crown reform legislation, will be that matters such as that will receive further analysis by experts within that department.

**MR. G. FILMON:** Which department?

**HON. J. BUCKLASCHUK:** Well, within the holding company.

**MR. G. FILMON:** Was that done in the past? Was it done by Crown Investments in the past?

**HON. J. BUCKLASCHUK:** No, it had not been, to the best of my knowledge.

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**MR. G. FILMON:** So the board made the decisions. Was this referred to the ERIC committee or was it referred to anybody else along the way, the rate-setting process?

**HON. J. BUCKLASCHUK:** As I indicated, the process will be that the corporation will develop a proposal for rate increases. These will go to the board of directors. The board of directors will review these and recommend whatever the increases or, as the case had been, the decreases may be to the Crown reform holding company. Those proposals will receive further analysis and will eventually wind up and be approved by Cabinet.

**MR. G. FILMON:** So in the future, they are to be approved by Cabinet after Crown reform corporation deals with them. In the past, have they been approved by Cabinet?

**HON. J. BUCKLASCHUK:** In the past, the board has reviewed the proposals developed by the corporation, has made recommendations to the Minister who in turn received approval from Cabinet - yes.

**MR. G. FILMON:** So Cabinet ultimately set the rates on the Autopac, on MPIC's all-divisions each year, under this Minister?

**HON. J. BUCKLASCHUK:** On the basis of a recommendation from the board of directors, yes.

**MR. G. FILMON:** Did the Cabinet always approve the recommended rate increase of the board?

**HON. J. BUCKLASCHUK:** I don't know whether it's appropriate at this time to disclose what Cabinet does with documentation. The fact is that all rate increases that have taken place, certainly since I've been the Minister responsible, have been approved by Cabinet.

**MR. G. FILMON:** All rate increases have been approved by Cabinet. Did Cabinet approve the recommended increases of the board of directors of MPIC in every case?

**HON. J. BUCKLASCHUK:** I can't comment on that because I don't recall. We've had, during my time as Minister responsible, there have been about, I believe, five or six sets of increases or adjustments - it could be decreases as well - and I can't remember specifically whether any changes were made in Cabinet to the recommendations from the board of directors. The fact is that there may well be 10, 20 or 30 recommendations within one submission, and I can't recall whether Cabinet decided to accept 29 and reject one or ask for a modification. My memory is not 100 percent accurate.

**MR. G. FILMON:** That's an understatement, Mr. Chairman.

With respect to the one, shall we say, key area which is the automobile insurance rates, did Cabinet always approve the recommendation of the board of directors in the five years that this Minister was responsible?

**HON. J. BUCKLASCHUK:** Well, the Leader of the Opposition would lead us to believe that there is a

recommendation that there shall be a 5 percent increase period, or a 2 percent decrease period. But that's not the way it operates, because there are different percentages that may be involved for different classes of vehicles and for different territories and there may well have been occasions - and I'm not saying there were, I'm not saying there weren't, but there could have been occasions - in which one recommendation out of a dozen may have been not approved or may have been sent back for further research.

I will be specific. I believe there may have been one where the corporation had proposed that there be a given level of increase for farm trucks and Cabinet, in consideration of what is happening in rural Manitoba, may have declined that and asked the corporation to consider a lesser increase.

**MR. G. FILMON:** With respect to the automobile rates, is the Minister indicating that generally the Cabinet approved the recommendations of the board?

**HON. J. BUCKLASCHUK:** Yes, I think it would be fair to say that.

**MR. G. FILMON:** Is the Minister indicating that there weren't many times, other than the one he can recall, in which they turned down that rate recommended by the board of directors?

**HON. J. BUCKLASCHUK:** As I've indicated, I think I've taken to Cabinet five or six submissions.

**A MEMBER:** Five.

**HON. J. BUCKLASCHUK:** That's right. The Leader of the Opposition can count better than I can. Anyway, the question being: Can I recall whether or not Cabinet outright rejected a proposal from the board of recommendation?

**MR. G. FILMON:** Modified, changed, amended.

**HON. J. BUCKLASCHUK:** I have indicated there may well have been occasions, possibly each year, where requests were made that there be modification of the recommendations.

**MR. G. FILMON:** I see from the minutes of the board of directors of the corporation that each year the directors review a report dealing with allocation of expenses between the Automobile and General Insurance Division. What does that report involve?

**HON. J. BUCKLASCHUK:** Well, in the interests of providing a complete or full answer, I am advised that this a very complicated process where the corporation, in the interests of being able to assign the proper figures to the Autopac division and the General division, reviews a number of criteria. Apparently it is a formula or a mechanical process that has pages and pages to it where they allocate the use of assets to the Autopac or to the General section, the operating expenses, whatever expenses they may have. But it is intended to provide an accurate reflection of which division incurs which expenses.

**MR. G. FILMON:** Have those formulas been changed a great deal or changed dramatically at any point over the past few years?

**HON. J. BUCKLASCHUK:** I have been advised that there have not been major changes in that area.

**MR. G. FILMON:** Getting back to the rate-setting process, the Minister was substantially involved with the corporation. He says, during that period of time, he was trying to get control of many aspects of it. With respect to the setting of rates for the automobile insurance in 1985 when there was a 2 percent decrease in the auto rates, what was the recommendation of the board at that time?

**HON. J. BUCKLASCHUK:** The recommendation, as I recall - it's interesting because I know where the Leader of the Opposition is leading to. It's a case again of wanting the best of both worlds. The recommendation

**A MEMBER:** Just the truth, just the truth.

**HON. J. BUCKLASCHUK:** No, no, the best of both worlds. Having it both ways at the same time is what the Leader is getting at, and that is - I believe the recommendation was that there be a zero percent increase and, as I recall, our reserves - remember the reserves your leader was going to give away in 1985, those reserves? -(Interjection)- That's right, those reserves that the Leader of the Opposition was going to buy votes with in the spring of '85 were accumulating. It was my feeling that we could have offered Manitobans a 2 percent decrease in the rates without, in any way, negatively affecting the operation of the corporation.

**MR. G. FILMON:** The board was recommending a zero percent increase, but the Minister in Cabinet decided on a 2 percent decrease in 1985. Is that right?

**HON. J. BUCKLASCHUK:** I'd indicated that my recollection was that the board had recommended a zero percent increase but, in discussions with the general manager, I'd indicated that I thought that Manitobans could benefit from a 2 percent decrease.

**MR. G. FILMON:** I'm sure they could benefit, but the corporation obviously was saying what it needed to have in order to operate properly. At that time, does the Minister recall that he'd go to the board and suggest that it in fact be a 5 percent decrease?

**HON. J. BUCKLASCHUK:** I have no recollection of such a request.

**MR. G. FILMON:** Okay. What about the next year? That's the year that the Minister is talking about where he's recalling very rightly that we suggested that, if the reserves were as they were and if the operation of the corporation was as it were - of course, we didn't know of the major losses in reinsurance, and we didn't know what the Minister knew, that they had incurred major claims in November and December of that year. But given that information, what was the Minister's

recommendation for that particular year, the 1986 rate-setting structure?

**HON. J. BUCKLASCHUK:** Mr. Chairperson, may I just again point out the lack of understanding that the Member for Tuxedo has about reinsurance. The fact that there were \$70 million in reserves in no way related to what was happening in reinsurance. The fact that there were losses in reinsurance would not have, in any way, lowered the reserves in the Autopac Division.

**MR. G. FILMON:** It would have impacted the bottom line. That's what the Auditor says in his report.

**HON. J. BUCKLASCHUK:** Well, had the \$12.3 million in potential claims been shown in the '84 annual report, the bottom line still would have shown a \$4 million profit. Just to add to that, but it would in no way have affected the level of reserves, because the reserves were in the Autopac Division. In no way would they have reflected on rates for Autopac because the two are very separate.

**MR. G. FILMON:** In fact, that glowing news release of March 15, 1985, in which the Minister reported a \$14-million profit would have shown at that time perhaps only less than the \$2-million profit. All of those figures about rosy outlook would not have been substantiated.

However, to get back to the rate setting, did the Minister ask that in fact the corporation drop the rates by 5 percent in '85, and drop the rates by 5 percent in '86?

**HON. J. BUCKLASCHUK:** That question had previously been asked by the Member for Tuxedo, and I'd indicated I had no recollection of having recommended a 5 percent decrease in rates.

**MR. G. FILMON:** Mr. Chairman, the Minister has indicated he doesn't recall, so it's obvious that there's no point in carrying on with that line of questioning.

Mr. Chairman, I note by going through, and the Minister made reference to the fact that the Opposition, and I think the Member for River Heights didn't spend any time going through the minutes of the corporation, and so on. I note the number of references, within the minutes, to a number of programs and expenditures that had previously been the responsibility of government departments that are now being picked up by MPIC. There's a specific reference of course to the study on MPIC's entry into the life insurance field which the Auditor indicated, in his view, should not have been picked up by MPIC. The corporation, I note, the board didn't agree as well, or had some difficulty with it and eventually gave in to government pressure, I guess through the Minister, to accept the cost of that. How much was cost of that report?

**HON. J. BUCKLASCHUK:** My understanding is that the cost was in the area of somewhere around \$375,000.00.

**MR. G. FILMON:** Almost \$400,000.00. Were any elements of that report adopted by MPIC?

**HON. J. BUCKLASCHUK:** None.

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**MR. G. FILMON:** Which division paid for that report? Where were the costs allocated?

**HON. J. BUCKLASCHUK:** My understanding is that the auto division paid for it.

**MR. G. FILMON:** The auto division paid for it? For an entry into the life insurance field? Was that the decision of the Minister?

**HON. J. BUCKLASCHUK:** I don't recall that being my decision. The cost had been incurred. It was left to - I don't recall a specific directive - the management that it be paid out of general or auto. I don't have minutes from the board before me, but it was paid by the Manitoba Public Insurance Corporation, I suppose, in the same way that the \$700,000 Burns Study was paid for by the corporation during the Lyon administration.

**MR. G. FILMON:** Were there recommendations at the Burns Commission that were adopted by the corporation?

**HON. J. BUCKLASCHUK:** There may well have been. I'm also aware of recommendations that were not adopted by the corporation.

**MR. G. FILMON:** Oh well, but none from this report were adopted by the corporation, not one.

Just so that the Minister recalls, with respect to that cost of that report on life insurance and the Auditor's report comment on it, this is what the minutes of the board of directors of MPIC say about that. I'll quote: "The directors reviewed the Treasury Board's involvement in the various issues raised by the Provincial Auditor in his Overview Audit Report. Upon motion duly made and seconded, it was unanimously agreed to accept the government's position that the life insurance study is a normal part of MPIC's strategic planning and, therefore, the costs should be borne by the Manitoba Public Insurance Corporation."

So it was indeed the government that imposed that on the board and it was obviously they who directed that it come out of the auto insurance operation so that it wouldn't impact on an already burdened general insurance and reinsurance area.

Mr. Chairman, did the board in fact object to paying those costs?

**HON. J. BUCKLASCHUK:** First of all, it was no secret that the corporation was doing a study on the feasibility of entering into the life insurance business.

**MR. G. FILMON:** I never suggested it was a secret.

**HON. J. BUCKLASCHUK:** We are looking at about a \$300,000 expenditure on a budget of probably around \$200 million. I don't know what board minute the member was referring to, but I'm looking at the minutes of the December 13, 1985 board meeting and it reads: "The directors considered management's recommendation to charge the expenses incurred for the life insurance and pension management business study to the auto insurance division." We do have the motion duly moved and seconded, so it's clear from

this board minute that it was a management recommendation.

**MR. G. FILMON:** That's 1985?

**HON. J. BUCKLASCHUK:** Yes.

**MR. G. FILMON:** Well this is a year earlier, this is the minutes of the 142nd meeting, December 12, 1984. Send your research staff to look up that one, but that's what it says and I'm quoting accurately. I'll table a copy for the Minister.

Mr. Chairman, there are a number of other instances, in looking through the minutes of the corporation, in which other costs appear to have been transferred to the corporation against the best judgment, it seems, of the board; for instance, High School Driver Ed Program. Why was that transferred when it was the responsibility previously of the Department of Highways and Transportation?

**HON. J. BUCKLASCHUK:** Well, with respect to this particular program, I would suggest that the corporation and the board of directors are indeed happy that MPIC is able to underwrite the major cost for the High School Driver Education Program. We believe it is a very valuable service to our young people . . .

**MR. G. FILMON:** Nobody's suggesting it was not a valuable program.

**HON. J. BUCKLASCHUK:** . . . and it is also in the interest of the corporation to have young drivers with adequate driver training, and I'm pleased that we're able to train something like 8,000-9,000 young people a year, who are developing skills and developing proper attitudes that, in the long run, will save the corporation millions. It is in the corporation's interest to be able to fund that sort of a program.

**MR. G. FILMON:** If the corporation were privately owned, would the government still think it was a good program to have done and do it by the Department of Highways and Transportation, as it always had been done in the past?

**HON. J. BUCKLASCHUK:** The Manitoba Public Insurance Corporation is not privately owned, and it is to the benefit of all Manitobans to have well-trained young people who will learn how to avoid accidents. Their driving will not result in an undue number of accidents, driving up rates. The corporation is very pleased that we're able to provide this service to our young people. In fact, that is one of the reasons why we are able to provide the lowest rates in Canada to young people. It goes hand-in-hand.

**MR. G. FILMON:** In other provinces that don't have public auto insurance corporations, such as, Alberta, do they not have a driver education program?

**HON. J. BUCKLASCHUK:** In other provinces where there is not a publicly owned insurance corporation, such as Ontario, the private companies do provide a discount to young people who have undertaken driver

training, as much as 30 percent, I believe, in some cases.

**MR. G. FILMON:** Who pays for the program?

**HON. J. BUCKLASCHUK:** Unfortunately, in Ontario, it is the parents who have to pay for the programs, and I have run into dozens and dozens of people who have said, I wish we had a program in Ontario as you have in Manitoba because it is costing us \$190 or \$300 a year. Unfortunately what happens in Ontario is that the public picks up the expense, and it's the private insurance companies that are the beneficiaries of better trained drivers. In Manitoba, it is the Public Insurance Corporation that picks up the costs of the driver training for the young people. It is the corporation and all Manitobans who benefit from that program.

**MR. G. FILMON:** Well, the Minister just contradicted himself. He just told us that the corporation gives a discount to the students who have taken it, and they have paid for it, so obviously they benefit from it and that's how they benefit from it. They get a discount in their rates.

**HON. J. BUCKLASCHUK:** Well, Mr. Chairperson, the one thing the Member for Tuxedo fails to recognize is that, while the private insurance corporations in Ontario may give a 30 percent discount, it is a discount on a premium of thousands of dollars, \$1,800, \$2,400, \$2,900 a year for a young person in Ontario. They can damn well afford to give 30 percent away because they are taking unfair advantage of young people.

**MR. G. FILMON:** And obviously the young people have benefited by taking the program and the investment that they've made, so there you have it.

The point is, Mr. Chairman, these are the costs that have been transferred over to the corporation and, whether it be in this program or whether it be in the life insurance study or whether it be in any other thing, these are transferred over under decisions of the Cabinet, under this Minister. What about Mr. Silver? Did he agree with the transference of the costs over to the corporation? Did he agree with the life insurance study being picked up by the corporation?

**HON. J. BUCKLASCHUK:** Just getting back to the Driver Education Program, this is not something that was hidden from Manitobans. The fact is that up until, I think, 1983 the Department of Highways and Transportation had in its Estimates a provision for some of the funding of the Driver Ed Program. Those changes were made in '84-85 and they were reflected in the Estimates that the Minister of Highways and Transportation brought before the Legislature - nothing hidden about that.

**MR. G. FILMON:** I didn't suggest it.

**HON. J. BUCKLASCHUK:** And we have taken pride in the fact that we, as a corporation, have been underwriting a larger and larger part of high school driver education to the point where Manitoba young people have the lowest driver education costs anywhere

in Canada. Rather than being defensive about it, I can tell you that our board and certainly I, as a Minister, am very proud of that fact.

**MR. G. FILMON:** Did Mr. Silver approve the adoption of the costs of the life insurance study by the corporation?

**HON. J. BUCKLASCHUK:** Mr. Silver was not a member of the board of directors, only in an ex officio capacity, if even that at the time . . .

**MR. G. FILMON:** When was this?

**HON. J. BUCKLASCHUK:** . . . and therefore, whether or not Mr. Silver approved that, what kind of a question is that? It's the board of directors that makes the decision.

**MR. G. FILMON:** Are you suggesting that Mr. Silver was not a member of the board of directors in 1984-85? Why does Mr. Silver's picture appear in the annual report of the corporation of 1984? Page 5, board of directors, right here, page 5, board of directors, Robert M. Silver, and I think from the picture, although he's aged a fair bit, it appears to be this individual.

**MR. R. SILVER:** Oh, I don't think so.

**HON. J. BUCKLASCHUK:** It is an amazing likeness, isn't it? I had just indicated about one minute ago that Mr. Silver was an ex officio member of the board of directors.

**MR. G. FILMON:** Why would he be shown as a member of the board of directors - it doesn't say ex officio here - if he wasn't a member of the board of directors?

**HON. J. BUCKLASCHUK:** If the Member for Tuxedo would like us, in the future, to identify ex officio members as such, we will undertake to do so.

**MR. G. FILMON:** Mr. Chairman, I just would like the Minister, if a person is a member of the board of directors, that he should be a member of the board of directors; but if he is not a member of the board of directors, he shouldn't be shown as a member of the board of directors.

**MR. CHAIRMAN:** Are you near the end of your questions?

**MR. G. FILMON:** There's another item that shows up in the minutes of the MPIC with respect to earmarking of MPIC funds for housing projects. I wonder if the Minister can explain that?

**HON. J. BUCKLASCHUK:** I don't have the specific minutes in front of me, but I do recall the discussion that took place on this issue. That is, as the Member for Tuxedo knows, the corporation has during the past 16 years or so invested in Manitoba, and these investments are shown on pages 25 to 29 of the '86 annual report. It's interesting to note that there are some \$286 million of investments in Manitoba.



The suggestion was, at that time when Manitoba Housing was very active and continues to be active in providing affordable housing for Manitobans, that this might be a source where MPIC might invest the monies that are being set aside of a long-term nature. In other words, the financing of some of the housing programs might have been done through MPIC, through its investments.

**MR. G. FILMON:** This was a request of the government that MPIC now utilize the funds that it used to invest in public institutional facilities into housing programs? Was this because the Minister was responsible for housing at the time as well as MPIC, that he was attempting to impose that on MPIC?

**HON. J. BUCKLASCHUK:** First of all, there was no attempt to impose anything. The fact of the matter is that the Manitoba Public Insurance Corporation has, over the years, invested in the Government of Canada securities, in Province of Manitoba securities, in terms of Manitoba Telephone System, Manitoba Hydro, Ontario Hydro.

The corporation is always on the lookout for long-term investments. The Province of Manitoba was at that time borrowing to provide financing for some of its housing programs. It made some sense, I thought, for the corporation to take a look at whether or not some of its long-term investments could not be in some of the mortgage financing that was being carried out by the Manitoba Housing and Renewal Corporation or Manitoba Housing.

**MR. G. FILMON:** Before the Minister attempted to impose that on the corporation, did he check and see whether or not they had the legal authority to do that? Did he check with the Auditor?

**HON. J. BUCKLASCHUK:** The Minister at no time tried to impose; I've made that clear. It was a request that we take a look at the feasibility of that. No, there had been no discussions with the Auditor, and nothing was done with that incidentally. There is no financing of Manitoba Housing programs by the corporation.

**MR. G. FILMON:** Was that because the board of directors strenuously objected to it?

**HON. J. BUCKLASCHUK:** I have no idea what the board directors did with that. All I know is that we didn't follow through with it. As I indicated previously, I did not attend board meetings. Therefore, I can't comment as to whether the board embraced it with open arms or rejected it. The fact is that there was a request made to take a look at the feasibility. There were some problems, I understand, and that's where it ended.

**MR. G. FILMON:** Mr. Chairman, surely the Minister isn't indicating that he has no idea why it was and he didn't pursue it, despite the fact that it shows up in the minutes of the 138th meeting of the board of May 1, 1984, have "the directors discussed the Minister's agenda with the president. Decisions made regarding the Minister's agenda follow" - not the board's agenda,

it's the Minister's agenda. He was putting it forward as his proposal. And item 5 was the utilization of MPIC funds for housing projects was accepted as information until such time as further details of the plan become available for consideration.

Is the Minister saying he dropped it because, all of a sudden, it wasn't a good idea overnight? It just changed in his mind as a good idea, or did the board object to it?

**HON. J. BUCKLASCHUK:** I would think it is still a good idea because we have over the years invested in Manitoba, whether it be hospitals . . .

**MR. G. FILMON:** You dropped it like a hot potato.

**HON. J. BUCKLASCHUK:** . . . or whether it be in municipalities or schools or whatever. I suspect about two or three years ago, I don't recall exactly what further information was provided to me as to the feasibility or non-feasibility of this suggestion. The fact of the matter is that we didn't go anywhere with that. I don't think that there is anything inappropriate with a Minister who has some idea of asking the board or management to consider that. It's not a directive. That is simply: what do you think of this idea, would you explore it, let's have your thoughts on it.

**MR. G. FILMON:** You don't think that there's a problem when the Minister responsible for housing attempts to use and manipulate a publicly owned insurance corporation to fund housing programs for his department?

**HON. J. BUCKLASCHUK:** The member uses the word "manipulate." No such attempt was made. The fact is that - and I'm surprised at the Member for Tuxedo - there are all sorts of insurance companies that finance housing projects in Manitoba and throughout Canada, throughout the world, I would suggest. There is no reason if the interest rates had been favourable, that is, if the rates that the province or the Manitoba Housing and Renewal Corporation were willing to pay, it would have been favourable, it would have been to MPIC's advantage that the corporation should not be able to finance housing projects. I presume there was some research carried out; there was some research done by the corporation. I would suspect, I would imagine, they would have discussed it with the Department of Finance staff and that's where it ended.

**MR. G. FILMON:** Was the Minister made aware that the MPIC did not have the authority to direct funds into housing?

**HON. J. BUCKLASCHUK:** Whether MPIC had the authority or not, I don't think, is relevant. If it had made good sense for the corporation and if it was for the benefit of Manitobans, then there is nothing to amend legislation to make it feasible. That could have been done. The fact of the matter is we didn't proceed any further with it.

**MR. G. FILMON:** You didn't proceed because you didn't have the authority and the corporation's board didn't

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want it. Thank heavens that they wouldn't be totally politically manipulated by the Minister. The Minister's agenda, I might indicate, that meeting indicated - I read .5; .2 says all matters that may be politically sensitive should be referred to the board. That's another item on the Minister's agenda. It would appear, Mr. Chairman, that this Minister was taking very strong political control at that time in doing all sorts of things at the corporation.

Mr. Chairman, I'll break off at that point and give Mrs. Carstairs an opportunity to ask some questions.

**MR. CHAIRMAN:** Mrs. Carstairs.

**MRS. S. CARSTAIRS:** Thank you, Mr. Chairman.

I'd like to go back in a sequence of events because of the variety of stories I have heard. I have to say that, like many Manitobans, I'm somewhat confused as to the exact order of events.

I'd like to go back into 1984, in the appointment of Mr. Dabo - I think is the correct pronunciation of his name - to take over the reinsurance industry within the corporation. Is that correct?

**HON. J. BUCKLASCHUK:** Yes, Mr. Dabo was appointed in the spring of 1984 as an outcome of a search that started sometime in 1983, I believe.

**MRS. S. CARSTAIRS:** And that was done at the recommendation of the then president, Carl Laufer?

**HON. J. BUCKLASCHUK:** Mr. Laufer was the general manager responsible for the operations of the corporation, which is certainly something that he undertook, I believe, in '83. It could have possibly been as early as '82, but in that time period.

**MRS. S. CARSTAIRS:** Was this not done at the direct request of Mr. Laufer because of his very grave concerns about what was happening with the reinsurance industry?

**HON. J. BUCKLASCHUK:** You would have to ask Mr. Laufer what his concerns were, as a result of whatever reasons he had. The fact of the matter is that, in September of 1982, I started raising questions about where we were going with reinsurance.

**MRS. S. CARSTAIRS:** Well, then we have a Minister concerned about reinsurance and we have a general manager concerned with reinsurance and, as a result, a new manager of reinsurance is hired. Is that a fair assessment?

**HON. J. BUCKLASCHUK:** You have a Minister in September of 1982 who, within a month of being appointed responsible for that, was raising questions as to what is happening in the Reinsurance Division and continuing to raise questions as to what is the corporation doing to minimize its risk. I've never denied that the former general manager didn't have some concerns as well - at least those were conveyed to me - and it would be his responsibility to seek out and hire an appropriate person to manage that branch.

**MRS. S. CARSTAIRS:** Sometime in July of 1984, a preliminary report was prepared by this new reinsurance

manager and was presented to the corporation, but was not at this point presented to the Minister. Is that correct?

**HON. J. BUCKLASCHUK:** That, I would suggest, is not correct. The reinsurance manager, Mr. Dabo, would have prepared a document on reinsurance. This would have been presented to the board by management in, I believe, July - July 25, 1984. As a matter of practice, I receive all board submissions at the same time as other board members do.

**MRS. S. CARSTAIRS:** Well, then the Minister knew about reinsurance losses as early as July of 1984?

**HON. J. BUCKLASCHUK:** As early as September of 1982.

**MRS. S. CARSTAIRS:** In October of 1984, during the preparation stage of the annual report, the information that we have gets fuzzy. We have Mr. Laufer and Mr. Sigurdson saying that they went to the Minister and he didn't like the report that they were going to make, so he asked for options. The Minister says that was not the sequence of events; that in fact they told him immediately that there were options which he could make a choice between. Is that how the Minister sees the sequence of events?

**HON. J. BUCKLASCHUK:** As I indicated on a number of occasions, a meeting took place on October 19, 1984, between myself, the general manager, and the chairperson of the board, at which time I was advised of potential claims that the corporation might incur in the reinsurance section, as well as losses, and I was presented with a number of options by management.

**MRS. S. CARSTAIRS:** The Minister has said, as early as this morning, "My memory is not 100 percent accurate." Can the Minister explain why his version of this meeting is so different from the version of two other men who also attended that meeting?

**HON. J. BUCKLASCHUK:** Well, my recollection is what I have discussed with the Provincial Auditor, the former chairperson of the board. He has his recollections and, I suppose, he would have to respond for those recollections.

**MRS. S. CARSTAIRS:** According to the information provided at the last Session, the Minister then sent these options off to the Minister of Finance, correct?

**HON. J. BUCKLASCHUK:** At the last committee meeting that we held some two or three weeks ago, I had indicated that a number of options had been presented to me by management. I had indicated a preference for the "pay as you go" - political?

Some two weeks later, I had a meeting with the Minister of Crown Investments to discuss the Provincial Auditor's Report, some items that we felt we had to review. Casually, I had indicated that I had discussions with the chairman and the general manager on the reinsurance issue. I followed that discussion up with a memo some two or three weeks later, asking for some

technical advice, and a response was provided to me some time after the president and senior staff at the corporation had signed off the '84 report. So the contents of the memo from the Minister of Finance were not relevant to the matter in which the reinsurance claims were displayed in the '84 report.

**MRS. S. CARSTAIRS:** If the Minister had a "casual" conversation, why did he then prepare a memo for which he had no intention of ever accepting the advice on?

**HON. J. BUCKLASCHUK:** I had indicated that I had followed up our discussion with a memo some two or three weeks later, asking for some technical advice and the contents of the memo, as I indicated at our previous committee meeting, could have been interpreted a number of ways. It has been indicated by the Provincial Auditor or his staff that, in fact, the response was that, if there did not appear to be any time in the future when the insurance would be making a profit, it was academic as to which display was used.

That was one part of the memo and the other part, well if another one would be to set up the appropriate IBNR. But nonetheless, I had indicated to the president in October, my preference was to show those losses over a five-year period, and the response from the Minister of Finance was not at odds with what in fact I had indicated my preference to be.

**MRS. S. CARSTAIRS:** In 1984, July, a report is prepared indicating some difficulties with the IBNR. In October, discussions take place with regard to whether new IBNR is going to be established or whether it is not. Why, at this point, did you not ask Mr. Dabo for an updated report on the reinsurance industry?

**HON. J. BUCKLASCHUK:** First of all, when I dealt with the corporation, as I still do in most cases today, I deal through the general manager, not through individual staff. It's, I think, the appropriate way of receiving information. Mr. Dabo had just joined the corporation in the spring of 1984. The submission to the board which Mr. Dabo was involved in the preparation of had indicated that a report would be forthcoming to the board. I had assumed that, after the meeting with Mr. Laufer and the former chairperson, the report, however developed it was, would have been dealt with at the board level. It was only in the last number of months that I found out that the board had not seen that particular document.

**MRS. S. CARSTAIRS:** Mr. Chairman, an individual is hired and, in two months, he prepares a report. Another three months passes and major decisions are being made with regard to that report, and nobody goes to that individual and asks for a further update of the report. How can that happen?

**HON. J. BUCKLASCHUK:** I guess, as I've responded to this previously, the Member for River Heights seems to have the impression that this is a very simple area of business. The fact is, it has taken a year and a half or two years for the Reinsurance Branch to get the figure that has been reported in the '86 report. It is

complex. It is referenced in the Provincial Auditor's Report that it's a complex area. The Provincial Auditor had to have the assistance of an expert from Toronto to help review this branch. It also took Saskatchewan about two years to get a good reading on where they are with reinsurance. It is not something that is accomplished overnight.

My understanding at that time - and I've indicated, I think, at the last committee meeting that there was a question in my mind in October of '84 as to how reliable those figures were. They were rather - and as we know now in hindsight - soft. But certainly, on the basis of the July representation to the board, there was an expectation that a further report would be provided to the board once Mr. Dabo had the opportunity to thoroughly review our reinsurance treaties.

**MRS. S. CARSTAIRS:** It is such a complex issue that he was able to prepare a report in two months, but then he can't prepare another report for 27 months.

Mr. Chairman, let's go to October 1985, when the next year's report is being filed. The Minister has now been told by the Minister responsible for Crown Corporations that the set of options given the year previously are not entirely satisfactory to the Finance Department. They felt that there was only one genuine option which should have been chosen. We now have one more year into the study which is being done by Mr. Dabo. Why did none of these difficulties surface in the 1985 report of the Manitoba Public Insurance Corporation?

**HON. J. BUCKLASCHUK:** The response from the Minister of Finance had indicated that, depending on circumstances, either alternative could be considered. In the October of '85 or November of '85, whenever the report was being prepared, we were still awaiting a final report. However, my understanding is that there had been projections made in October of '84 as to what the losses incurred during the forthcoming year would be. A five-year plan had been put in place. The claims incurred in 1984-85 were fairly consistent with the claims that were projected. Therefore, the pattern established in '84 was continued through until '85. Had, I suppose, the report that Mr. Dabo supplied us in 1986 been consistent with the projections that were developed in 1984, it is quite conceivable that we would have continued to write off those losses against the revenues that came in right through until 1988 or '89, as the initial strategy that was put in place in 1984.

The reality is that the report was completed. It showed that the potential claims were far in excess of what had been anticipated or the board had been advised of or the Minister or anyone had been advised of. There was a decision made in the fall of '86 that the incurred but not reported would be shown in the '86 report on the basis of the latest and most accurate information, and that's what we have before us.

**MRS. S. CARSTAIRS:** I think, like all Manitobans, I have a great deal of skepticism about this whole thing. We have a Minister who maintains that he's concerned since 1982. We have a general manager who indicates he's sufficiently concerned that he wants a new person

on staff in May of 1984. We have a report presented in 1984 which says you should be concerned. We have, in October of 1984, a report filed for the insurance corporation in which some concern is indicated, although the option showing not much concern is chosen. We then have another year pass, and nobody asks the individual who is studying the reinsurance industry if he has any further concerns. How can that happen?

**HON. J. BUCKLASCHUK:** The fact is that the Member for Tuxedo has seen a couple of submissions on reinsurance that were made to the board. The Member for Tuxedo has not seen the numerous memos that went between me and the general manager of the corporation, inquiring as to . . . .

**MR. G. FILMON:** Mr. Chairman, I don't want to interrupt, but is the Minister referring to me or to the Member for River Heights when he's speaking? He's keeps referring to the Member for Tuxedo.

**HON. J. BUCKLASCHUK:** I'm sorry. River Heights, Tuxedo, what's the difference.

**MR. G. FILMON:** Don't tell that to her constituents.

**HON. J. BUCKLASCHUK:** I'm sorry, I stand to be corrected. I meant the Member for River Heights.

The fact is that, over from September of '82 right through until after the dismissal of the former general manager, there were memos that went to the corporation asking for status reports, making specific inquiries as to where we were with the reinsurance. I should indicate - and I think the Provincial Auditor has made reference to this in his report - that at no time did management ever sound any alarms. Everything seemed to be in hand. Things were under control. That type of message came through over and over and over again. The first indication of the potential claims that have been shown in the '86 report came to me and to the board in October of '86. From July of '84 until October of '86, there really had been nothing to the board, to myself, that indicated there was a very serious problem in the reinsurance section of the corporation.

**MRS. S. CARSTAIRS:** Mr. Chairman, I'm really shocked. If the Minister was asking for status reports and the corporation refused to provide those status reports, why was the general manager and the member responsible for the reinsurance industry not fired?

**HON. J. BUCKLASCHUK:** At no time did I indicate that anybody refused to provide information. Information was being provided, but it was couched in such words that one was led to believe that the matter was under control. In fact, the problem is - and I think we all have to acknowledge this - that the major losses or the potential losses in the reinsurance section relate to the Old Book; that is, treaties that were entered into prior to 1984. There is nothing a person can do in 1986 that is going to minimize those losses, other than to commute those treaties. But the fact is that it does take a year or two or three or five for the losses to materialize, to show up at the corporation level. By then, the horse is out of the barn.

That is the type of problem that we have faced up to in October of '86 by indicating that we were setting aside some \$36 million as a provision for future claims that may materialize over the next 5, 10, 15 or 20 years. Just as an example - I won't get into figures - but in the 1986 report of the losses that were incurred, some in excess of \$8 million of those losses can be directly attributable to treaties that were entered into between 1978 and '81.

**MRS. S. CARSTAIRS:** The Minister receives status reports. Those status reports, despite a report in July of 1984, did not indicate whatever, in additional need, to set up an additional IBNR, either in 1984 or in 1985, and yet in 1986 we have the need for \$37 million. Somebody in that corporation is not doing its job. Who in that corporation isn't preparing the Minister and providing the Minister with up-to-date information?

**HON. J. BUCKLASCHUK:** First, I would like to get a copy of that '84 submission because basically the submission is quite - I won't say comforting, but certainly it does not ring any alarm bells. What it does indicate is that, yes, not unlike the rest of the industry, we were probably going through some rough times and that was a difficult time for the insurance industry. We anticipate that we will be incurring some claims over the next number of years. We should be setting aside some incurred but not reported. In fact, there were provisions, additional funds set aside in 1984 for those potential future losses. I believe there was some \$2.25 million additional IBNR set aside in '84. I don't recall if there was anything set in '85.

It indicates here - there was a question in the document that was submitted, I think, to the first or second committee meeting, July 27 meeting, and the question was raised: Is a \$5 million IBNR enough to cover the past losses? There's some reference to "underwriting losses should be anticipated from a peak of \$3 million in '84 down to a break-even point in '88." I don't see what is that alarming. We know now, in hindsight, that the losses were much higher than that. As a matter of fact, the '84 report, I believe, made a provision for or had indicated in the president's opening remarks that there had been a \$4.8 million underwriting loss. So even that report - well, it certainly didn't raise any alarms.

The fact of the matter is that the management that was in place in 1984, in 1985, in 1986, is either no longer with the corporation or has been reassigned. I am quite confident that the information being provided to me and to the board and to the committee today is of a by far higher quality than anything the corporation has been able to offer before.

**MRS. S. CARSTAIRS:** In 1984, the chairman and the president came to you with a series of options. Whether they were at the wish of the Minister or at the wish of the other two individuals, we've never gotten to the bottom of. Did they also come to the Minister in 1985 with similar options?

**HON. J. BUCKLASCHUK:** Just to set the record straight, the chairperson of the board and the general manager came to me with options that were initiated by them or by management.

**MRS. S. CARSTAIRS:** According to your story.

**HON. J. BUCKLASCHUK:** That is not only my recollection; that is the way it was.

In 1985, there was no such meeting. As I indicated before, a means or a method of displaying the future claims was put in place in the fall of '84. Projections were made at that time. The incurred claims in 1985 apparently matched up fairly closely with the projections in 1984 and, therefore, the five-year plan was continued through '85 without any reference to the Minister.

**MRS. S. CARSTAIRS:** Mr. Chairman, that in fact is not the case. In 1984, there was only a \$503,000 loss and, in 1985, there was a \$5 million loss in the General Insurance Division. Would that not have prompted the chairman of the board and the president to have met with the Minister responsible to indicate that there was in fact a need to put a larger book on the IBNR?

**HON. J. BUCKLASCHUK:** The Member for River Heights has indicated a net loss of \$500,000 in '84. In fact, if one refers to the '84 report, on page 20, one will see that the net loss for the general insurance was \$4.8 million. I believe there's some reference in the president's opening remarks when he stated that: "As in 1983, the performance of the General Insurance Division was influenced by the same external market forces affecting most property casualty insurance in Canada and throughout the world. The loss of \$4.8 million reported in 1984 was due entirely to unsettled conditions in the international reinsurance market.

**MRS. S. CARSTAIRS:** Let's go to page 22 of the same report. At that point, you had \$4 million for contingencies and obviously you didn't have anything in 1985, which meant that the actual deficit was substantially larger.

**HON. J. BUCKLASCHUK:** No, that's not correct. In fact, the contingencies, that's the IBNR - the loss for the division is shown on page 17, \$4.815 million and, as was indicated; this is generally attributed to the reinsurance losses or the vast majority. In fact, there was an addition to the IBNR in 1984 of some \$2.25 million, which resulted in a total provision of some \$6.4 million, \$6.6 million for future claims.

**MRS. S. CARSTAIRS:** But it wasn't enough.

**MR. H. ENNS:** One of the advantages of telling the truth is that it's easy to remember what you said.

**HON. J. BUCKLASCHUK:** Yes, I'm aware of that. It's clear, in hindsight, that \$6.6 million was not enough. But we never, as I indicated previously, had any additional information or more up-to-date information on the potential claims in the reinsurance section until October of '86.

**MRS. S. CARSTAIRS:** There was never any question in 1985, as there had been in 1984, that there should be a further look at perhaps establishing a larger book for IBNR?

**HON. J. BUCKLASCHUK:** I'm not aware of any submission that went to the board or even discussions

that may have taken place at the board as to the need to increase the IBNR in '85 or in '86 until the report was presented to the board in October of '86, which resulted in a considerable sum being set aside or provision being made for future claims.

A plan was put in place in 1984, reflected in the '84 annual report. It carried on through '85 and, assuming that the outcome of the study that had been undertaken in '84 had corroborated what the board was led to believe in '84, it would have carried through in '86, '87, '88 and, by '89, we would have been - well, as was projected - out of the woods and in a positive cash position.

Unfortunately, that is not the case with the study that was carried out by Mr. Dabo and his staff. We learned in October of '86 that the future claims were much more substantial than had ever been projected previously.

**MRS. S. CARSTAIRS:** And the Minister, on the basis of what he had done in 1984, on the basis of the reports which he had received from the Minister of Finance, never suggested to anyone in 1985 that perhaps, based on the decision they had made in 1984, they should relook at how they were going to encapsulate the report for 1985.

**HON. J. BUCKLASCHUK:** If that suggestion were to have been made, it would have been made by management to the board who, in turn, would have passed that on to the Minister. That is the sequence, not the Minister determining what's in a financial statement, repeating it down to management, and saying see if you can get this past the board.

The Provincial Auditor comments on this on page 20. Financial statements, all information in the annual report, are generally the responsibility of management to develop for approval by the board and subsequent presentation to the Minister and the Legislature. Had there been any concern, it should have come from management. There was no such concern expressed.-(Interjection)- Well, maybe you were talking to the former general manager, I don't know.

**MRS. S. CARSTAIRS:** Mr. Chairman, we have a Minister who has stated that, given three options, he chose the political option. Now he has said that publicly.

**HON. J. BUCKLASCHUK:** Yes.

**MRS. S. CARSTAIRS:** He doesn't deny it. He makes that choice in 1984. He gets a further report after he's made that choice, saying that's probably not a very good choice which he's made from the Minister of Finance. Yet, he still does nothing in 1985 when he's presented with the new report, or does the Minister in fact make a second political decision?

**HON. J. BUCKLASCHUK:** The Member for River Heights is saying that the communication from the Minister of Finance said I didn't make a very good choice. It said no such thing. It said, either alternative is acceptable under specific conditions. The fact is, it was put in place in October of '84. It would have been the responsibility of management to alert the board

and me in the fall of '85 that what had been done in '84 was inappropriate. No such suggestion came from management.

As I indicated before, projections made in the fall of '84, October '84, as to losses that would be incurred over the next year, in fact, were borne out over the forthcoming year, and I suppose management felt a certain level of confidence that the projections that had been made were reasonable. So therefore, no suggestions were made to the board or to the Minister to change the format or the display of potential claims in the '85 report. It never came to my attention. It was never drawn to my attention.

**MRS. S. CARSTAIRS:** Mr. Chairman, surely that is the root of the whole issue because, if Mr. Sigurdson and Mr. Laufer went to the Minister in 1984 and he chose to make a political decision, why would they go back to him in 1985, because he's already told them he wants a political decision? So the Minister can't wipe his hands of the whole thing and say I don't make the decisions, they're made by the board, when in fact in 1984 he did make the ultimate decision.

By his own admission, he made the choice of an option based on political rationale - pure and simply. The political rationale did not change in 1985, so why would the general manager think that there would be any different political decision made? So have you not, in fact, placed your political expectations on the general manager and turned that general manager into a political operative?

**HON. J. BUCKLASCHUK:** Well, I think the Member for River Heights is now acknowledging the fact that choices were presented to me. I made a political decision; I have always said that. But I have never said that the general manager and the chairperson said, well, John, we have three choices here; one is political, one is non-political, and one is acceptable as far as the count is concerned. No, they said here are some choices. They may have well said, here are some concerns we may have about this choice or this choice or this choice. Which is your preference?

I've always admitted that I made a political decision. It would be stupid as a politician to say that I'm sort of a eunuch who thinks without any considerations. That would have been somewhat dishonest of me to say that. I've been aboveboard all the time.

The fact is that when options are presented, here is an option that I assume is a legitimate option, that says we can write these losses off over the next five years. Here's how it can be shown. I've given members of the committee that document. That's a decision I made.

Now, had there been something in the year after that, that had shown that those projections were inaccurate or that, instead of the \$12 million loss, there was a potential \$24 million, or whatever figure loss, they would, I am sure, have brought that to my attention. That is a responsibility of management.

The fact is that management did not bring this back to me for a decision or for consideration. The report in 1985 was done without any reference to the Minister. It was presented to the board, adopted from the board, I received it as information and it was submitted to the Legislature on that basis.

**MRS. S. CARSTAIRS:** I just have a couple more questions in a couple of other areas. The Minister raised several times in the Legislature the fact that neither Mr. Filmon nor myself availed ourselves of the opportunity of going to MPIC to read the minutes of the corporation.

My memory is certainly accurate, since I have it front of me, but does the Minister not recall that he indeed sent to Mr. Filmon and to myself all of the minutes of the Manitoba Public Insurance Corporation?

**HON. J. BUCKLASCHUK:** Yes. In an unprecedented act in the history of the corporation, we have been as open as we could possibly be and provided access to all board minutes, even provided actual submissions that had been requested. However, there were a number of items that pertained to corporate confidentiality that had been removed from the minutes.

To the best of my knowledge - and I made that statement in the House - neither the Leader of the Opposition nor his staff, nor the Leader of the Liberal Party nor her staff had gone to the corporation - (Interjection)- Pardon me? - to review those minutes, or items that had been deleted from the board minutes. I am aware that very shortly after I raised that in the House, the research assistant for the Leader of the Opposition was down to the corporation to make some inquiries. But up until that point, there had been no effort made that I am aware of.

**MRS. S. CARSTAIRS:** When the Minister provided those minutes to me, he did so with the assurance that there was nothing removed from those minutes other than sections with regard to corporate confidentiality. Can the Minister assure this meeting that indeed there was nothing in those minutes that I should have gone down to read that were not made available to me in the package sent to me by the Minister?

**HON. J. BUCKLASCHUK:** Mr. Chairperson, I have before me a letter dated March 23 to Ms. Sharon Carstairs, MLA for River Heights. "In response to your request on March 23 to review the minutes of the MPIC board meetings, I am providing you with copies of minutes from December 1982 to January 1987" - five years of minutes. "References to items pertaining to corporate confidentiality have been removed from the minutes. However, we are going to provide you or your representative access to the original minutes at your convenience in order that you may ensure for yourself that the deleted items legitimately fall into the category of corporate confidentiality."

I don't know whether the member has gone down to the corporation to review these, but that's what I made reference to in my statement in the House that we have been as open as we possibly can. We are interested in ensuring that all Manitobans understand what this issue is about, that we are not interested in playing political games. But as crucial an item as this may be, certainly the Leader of the Opposition nor his staff had gone to the corporation to review the full minutes until after such time as I had, in a sense, chided them in the House for not doing so.

**MRS. S. CARSTAIRS:** Well, as the Minister is probably quite aware, I'm not provided by the Government of

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Manitoba with any research help but I feel that, when I receive a letter such as that from the Minister, there is a certain amount of trust involved. I did trust the Minister that information would not have been deleted that I should have in fact received or seen, and I just wanted that confirmed today.

**HON. J. BUCKLASCHUK:** Well, I thank the member for her expression of trust.

**MRS. S. CARSTAIRS:** Another issue that I would like to just focus on, and that is an issue that I raised with regard to \$100,000 expenditure on behalf of this department and this corporation with regard to Safe Grad advertisements on television. It is certainly a program that I support, but why would you spend \$100,000 to reach a target audience of some 15,000 Grade 12 students when you could far better reach that target audience by putting two individuals in the field and having them visit each and every high school in the Province of Manitoba encouraging those students, who are alone the ones who can make the decision as to whether they will have a Safe Grad, and spend the money in that way instead of trying to grandstand on television?

**HON. J. BUCKLASCHUK:** I'm sorry the member has to use a word such as "grandstand." The fact is, No. 1, the material that is produced for the advertising on TV is reusable, so whatever was produced for the '87 year can be used again in '88, '89 and so on, except the only additional cost would be the airing time.

Secondly, I believe there are a number of organizations, including the Manitoba Teachers' Society, including the Public Insurance Corporation, including the City of Winnipeg Police and, I believe, the RCMP and a host of others who are very supportive of Safe Grad and who in fact go out to high schools and address student bodies, who in fact - certainly I know that our staffperson, Mr. Waddy (phonetic), goes out to the various conferences, speaks to representatives of high schools about Safe Grad.

Interestingly enough, one of the Maritime provinces has asked for our material because it was so good and we're going to be sharing it with them as a public service.

The other important thing to remember about Safe Grad is that it does not entirely deal with students. There is parental involvement and certainly, albeit the television ad may be shown at 10:30 p.m. or 11:00 p.m. when I suppose most students are asleep or thinking of going to bed, the fact is that we would certainly like to catch the attention of parents. We still believe they have some influence. They certainly, I think, would be supportive of Safe Grad as a means of safe graduations, and they themselves are involved in terms of supervision.

So the target is, by far, greater than the students and I'm indeed pleased that the corporation has been able to assist with this particular program, as we've also been able to assist with one of the radio stations in providing free transit on New Year's Eve and working with the City of Winnipeg, with one of the radio stations, a very valuable service.

**MRS. S. CARSTAIRS:** Having participated in Safe Grad with my daughter last year, I do know that the decision

is made by the students. I know of any number of high schools in this province, unfortunately and tragically, who have not had this representation made to them by individuals. If the corporation is going to save money by not having to advertise next year, could I recommend that they perhaps hire a staffperson who will in fact travel the province and make them aware of the options of a Safe Grad.

**HON. J. BUCKLASCHUK:** I thank the member for her remarks and I certainly share her concerns, also having been a former teacher and knowing the kind of tragedies that occur on graduation nights. It is regrettable that all schools in Manitoba have not been involved, but I'm pleased to advise that an ever-increasing number of schools are involved.

This program started in 1983 or '84. I think now about 100 high schools are involved in Manitoba. I would hope that, over the next number of years, all the high schools will be involved. As a matter of fact, we hold conferences for representatives from the high schools. We've held them in Winnipeg, in Brandon, and I'm pleased that additionally this next year we'll be holding a conference in Dauphin so that more of the schools in the Northwestern Parklands area will become involved in the Safe Grad.

**MRS. S. CARSTAIRS:** Yes, can the Minister tell me if it is anticipated that a new vice-chairman of the board will be appointed?

**HON. J. BUCKLASCHUK:** There is, at the present time, a vacancy on the board as a result of the resignation of the vice-chairperson who has gone on to a Civil Service position. That appointment will be made in due course, and the appointment of the vice-chairperson will be carried out at the same time.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** Thank you, Mr. Chairman.

First of all, to the Minister, since he's indicated the openness with which this whole issue of reinsurance has been dealt with, would the Minister table the reply from the then Minister of Finance that he received regarding the seven-page option report? Would he table that for this committee?

**HON. J. BUCKLASCHUK:** This particular question was raised, I believe, at the last committee meeting, and I've indicated that communications between Ministers, whether they be verbal or written, are usually considered to be privileged information. I think the members should be aware of that, is aware of that, having been a Minister previously.

I have also indicated that, during the course of the Provincial Auditor's review, the Provincial Auditor had full and complete access to any material that he felt relevant at the corporation and in my files. The Provincial Auditor has or his staff have reviewed the memo in question and have made note of it in the report and commented in a manner that they felt relevant to the issue.

**MR. D. ORCHARD:** Mr. Chairman, given that the Provincial Auditor has not defined any political fault in

this investigation, what he would recognize as damaging in a memo would be different from what we recognize and he admitted that the other day when we discussed this item. If the memo is as innocuous as the Minister has indicated to the Member for River Heights and contains only the things he says, why is he afraid to table it?

**HON. J. BUCKLASCHUK:** I've indicated that the Provincial Auditor had full and complete access to my files. He has reviewed this particular memo and has made his comments in his report to the Minister of Finance, which has been provided to all members of this committee.

**MR. D. ORCHARD:** So, Mr. Chairman, the Minister is going to insist on hiding that very innocuous memo. Is that the final word that he is going to have on it?

**HON. J. BUCKLASCHUK:** The Minister has not hidden that memo. He has provided it to the Provincial Auditor and the Auditor has commented in his report.

**MR. D. ORCHARD:** The Auditor has not commented on the content of that memo. Is the Minister refusing to table that at this committee?

**HON. J. BUCKLASCHUK:** The Provincial Auditor had been asked questions and I recall reading the minutes, the Hansard, from the last committee meeting . . .

**MR. D. ORCHARD:** Not in his report.

**HON. J. BUCKLASCHUK:** . . . and I think all questions directed at the Provincial Auditor were responded to.

**MR. D. ORCHARD:** Mr. Chairman, once again the Minister is refusing to table that memo. That is what we're counting. Mr. Chairman, the Minister is saying that in following up on questions by the Member for River Heights, this amazing gap, where Mr. Dabo as the newly hired expert on reinsurance develops within a few short months, as I understand it, a report that indicates to the Minister and to all those presumably who read it that there could be up to \$24 million of incurred claim losses. That's within a couple of months after coming on staff and this Minister insists that it took the next 24 months for that expert on reinsurance to develop a final report which could be given in a fixed and final form so that it could be reported in the 1986 annual report.

Now I find that to be an amazing amount of time for an expert on reinsurance to take in terms of developing that report. If we had the ability to call Mr. Dabo to this committee, I would ask him a certain number of questions about that. I'm sure he would be glad to answer them but, as it is, we have to accept answers from the now acting general manager and from the Minister, and questioning Mr. Dabo is not possible. But to contradict what the Minister is saying, the Provincial Auditor, page 14, indicates from the documentation that he has looked at in investigating the reinsurance loss - and I presume that documentation has to include some reports from Mr. Dabo as the reinsurance expert - he has indicated that the losses in both the 1984 year and 1985 year were significantly understated.

Now the Auditor had access to documents and it isn't as if there were documents produced after the fact, he says that documentation available in '84 and '85 was sufficient, that substantially larger IBNR's should have been reported and weren't. Now, either Mr. Dabo did not do his job properly and, as Mrs. Carstairs has suggested, he should be fired, or else he was prevented from having that information come forward by the very simple reminder I want to make of this Minister on page 19 of the Provincial Auditor's Report wherein Mr. Sigurdson, when asked by the Provincial Auditor of the Minister's role in reporting IBNR losses, I will quote to the Minister that, when he was informed that a \$12.3 million IBNR should be reported, the Minister informed him, meaning Mr. Sigurdson, and the president, Mr. Laufer, that it was not an appropriate time to record this. That's what the Minister said and, after that, the Minister requested the options on how to report it. Those weren't presented voluntarily by the staff. This Minister requested them in the beginning effort in 1984 to cover up the losses.

That's why I suggest, Mr. Chairman, that an expert on reinsurance like Mr. Dabo is now supposedly not capable of developing any figures that are usable, according to the Minister, according to the Minister's information. I remind committee this Minister has often been contradicted by his own words, but this Minister says nothing was available to them in 1986. Yet, there was sufficient material available to the Provincial Auditor for him to draw the conclusion on page 13 that IBNR losses were significantly understated in both 1984 years and 1985 years, i.e., I'm saying that Mr. Dabo did his job. He produced the numbers showing the losses. The Minister had them, senior staff had them but, because the Minister when first made aware of this directed that it was not appropriate to show the losses, Mr. Dabo's report and Mr. Dabo's work were left underground.

That's the simple cold hard facts of what has happened because how else could the Provincial Auditor come to the conclusion, in the lack of the information the Minister has said that he did not have today at this committee until 1986, how could the Provincial Auditor conclude as he did on page 13 that the losses were understated? I suggest that he could make those conclusions because Mr. Dabo had documented them because, after two months, Mr. Dabo documented up to \$24 million in 1984. That information was not only available to you as Minister, it was also available to the then Minister of Finance sitting right at the end of this table.

From that period on, your directive that it was not appropriate to show the losses dictated how much information came from Mr. Dabo. If we had him up at the table, he could answer these questions himself, but oh no. We have set a new precedent in this committee where you are not going to have people answer for the responsibilities of Crown corporations, as we have had as a tradition in telephones and hydro.

So let not this Minister attempt to try to develop the squeaky clean image. He's so tarnished he's not worth discrediting any further, but I simply lay out to you that the Provincial Auditor had knowledge the losses were understated. I suggest that knowledge came from Mr. Dabo, and I suggest it was suppressed by the same directive in '85 as was given by the Minister in 1984.



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It was only reported in 1986 because that magic event of an election was passed and it would not be damaging politically to the NDP. That's why it was reported in 1986 and not 1985 and not in 1984. That's the only reason.

Now, Mr. Chairman, I'd like to ask Mr. Silver some questions. Mr. Silver, you were acting general manager as of March of this year when the questions started to flow in terms of the reinsurance losses, and you were acting general manager at the time, to the Minister's horror, his files were shredded. Mr. Silver, can you indicate whether, as the issue heated up, you as acting general manager participated or directed or asked to have any documents altered in the executive offices of MPIC?

**MR. CHAIRMAN:** Mr. Silver.

**MR. R. SILVER:** Mr. Chairman, in March of this year, I was the permanently appointed president, general manager, and I can assure this committee that not then, not now, not ever have I directed the alteration or destruction of documents.

**MR. D. ORCHARD:** Mr. Chairman, then just a further question to Mr. Silver, as you've indicated in your answer, you did not order or participate or have anyone shred any documents as well that would be pertinent to the reinsurance business.

**MR. R. SILVER:** That's what I indicated.

**MR. D. ORCHARD:** Mr. Silver, in the time that you have been an ex officio board member and also now general manager and presumably attending the board meetings, have there been any circumstances of board discussions of issues at the board in which a decision was made by the board that issue shall not be shown in the minutes as a subject and a topic of discussion?

**MR. R. SILVER:** I have absolutely no recollection of any such circumstance.

**MR. D. ORCHARD:** I presume from your answer you have . . .

**MR. R. SILVER:** Mr. Chairman, with the possible exception of the occasional time when there would be some light-hearted comment made at a meeting, and then somebody might say that shouldn't be recorded in the minutes.

**MR. D. ORCHARD:** Now, Mr. Chairman, Mr. Silver's answer has been that he does not recall. Presumably, that's a personal recollection. As the general manager and the president, have you had opportunity to inquire of senior management whether, at any board meeting that you may not have been personally in attendance, a topic was discussed which it was board decision to not make note of it in the minutes? Have you made those inquiries of senior staff?

**MR. R. SILVER:** I have made those inquiries, and there is no recollection by any of the members of the executive staff of any direction to delete or alter or amend minutes

in a way that was not in approval by the board. There has been no alteration of minutes.

**MR. D. ORCHARD:** I thank Mr. Silver for those answers. Mr. Chairman, I'd like to ask Mr. Silver as to whether the Manitoba Public Insurance Corporation met the February 7, 1985 deadline on the financial information that he requested of them as Deputy Minister of Crown Investments in approximately June of 1984?

**MR. R. SILVER:** Mr. Chairman, I have no way of knowing that answer.

**MR. D. ORCHARD:** Mr. Chairman, then maybe rather than get tied up on the technicality of the deadline, did they ever report, as you requested as Deputy Minister to ERIC committee, the financial findings of the corporation?

**MR. R. SILVER:** Mr. Chairman, perhaps the member can enlighten me as to what information was requested.

**MR. D. ORCHARD:** I can enlighten you to the fact of the memo that you said at last hearing that you recalled sending, that memo being July 10 in which you asked for a history of its operating profit and losses and projections on the likely profitability of the corporation in the medium term, which was to be reported to ERIC committee February 7, 1985. That's the one I'm referring to that you recalled last meeting.

**MR. CHAIRMAN:** Mr. Schroeder, on a point of order.

**HON. V. SCHROEDER:** Mr. Chairman, on a point of order. It seems to me that if the witness has already indicated that he doesn't recall specifics and, if the member questioning wants answers, he should have the common decency to provide a copy of the memo to the witness so that he could refresh his memory.

**MR. D. ORCHARD:** Mr. Chairman, the Minister, first of all, doesn't have a point of order.

**MR. CHAIRMAN:** On the same point of order from Mr. Orchard.

**MR. D. ORCHARD:** Well, okay, the same point of order if one exists. We did exactly that last meeting, and Mr. Silver at the last meeting in Hansard said, yes, I recall this letter. Now do we have to make him recall again from just three weeks ago?

**MR. CHAIRMAN:** If I could, the point of order raised by Mr. Schroeder is not according to rules of point of order, but it does raise a pertinent issue of the tabling when we're asking questions of a witness before the committee. Whether it was asked a week or two weeks or last year, I think it would help the proceedings of the committee if the letter could be passed just to refresh memories so he knows exactly which letter he was referring to. I understand he has a copy of it now.

**MR. R. SILVER:** Mr. Chairman, I have a copy of this memo now, this letter. I do remember the circumstance of sending this letter, but I would point out to the

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committee that I am here in the capacity as the president of the Manitoba Public Insurance Corporation. In that capacity, I am here to answer questions of fact as they relate to my current capacity. The letter was sent in my previous capacity as Deputy Minister of Crown Investments. I don't believe that I'm obliged to comment on that.

**MR. D. ORCHARD:** Mr. Chairman, then are we hearing from Mr. Silver that he is not going to answer any questions pertinent to a \$36-million reinsurance loss when he was Deputy Minister of Crown Investments requesting financial information? This is what Mr. Silver is now telling us, that because he's had his status changed, he doesn't have to answer questions?

**MR. CHAIRMAN:** On that, I do not believe that, when a person is before a committee in one particular role, because that person or individual may have had a position in earlier times, that would affect to some degree the position or even inter-relating via Cabinet committee with his current position and the company that he is currently working with. I don't believe that it is proper for the committee to go in, to delve, just the same as it is not proper for us to go into the conduct with Ministers being responsible for their previous incarnations, if you wish, of previous portfolios.

So, on one hand, I would like to see the committee conduct itself and to get to the bottom of the various questions as much as you possibly can, but I would not like to see witnesses put in too much of an awkward position, I guess.

Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, as the general manager - and my question is to Mr. Silver - as the now general manager, has he reviewed the document prepared by MPIC at the behest of one Robert Silver, Deputy Minister of Crown Investments, July 10, to be presented to the ERIC committee? Has he reviewed that preparation as general manager of MPIC?

**MR. R. SILVER:** Mr. Chairman, I would have no reason to do any kind of a historic review of that nature.

**MR. D. ORCHARD:** Mr. Chairman, it would be interesting to know, since Mr. Silver, the then Deputy Minister of Crown Investments, specifically wanted to know the history of operating profit and losses and projections on the likely profitability of the corporation in the near to medium term, it would be most demonstrative today to know whether in February of 1987 the ERIC committee of Cabinet had a report from MPIC which laid out reinsurance losses which are going to impact to the year 1989 for a total of \$24 million or more. That's what's very important to know, because that fits very nicely, Mr. Chairman, into the very substantial body of evidence that the Minister and the Cabinet knew of these losses and participated in the cover-up to hide them from the people of Manitoba.

That's why a historic review, Mr. Silver, of you now as president of what was presented at your request as Deputy Minister in 1984 and early '85 would be very, very instrumental in getting to the bottom and getting to the truth of what government Ministers knew.

**MR. R. SILVER:** Mr. Chairman, the letter that I sent in that time frame was a request from ERIC Ministers. It was not a request from me. In any event to review old projections, I think, would be largely meaningless. What I would be more interested in, in my current capacity, is an assessment on the best information that is available at this time of what are the current set of expectations.

**MR. D. ORCHARD:** Mr. Chairman, then I take it from that answer Mr. Silver would have no difficulty providing committee tonight that report which fulfilled his request as Deputy Minister to be taken to ERIC and the financial status of MPIC as of late '84 or early '85. You would have no objection to bringing that to committee tonight.

**MR. R. SILVER:** Mr. Chairman, I would have a great deal of difficulty with that.

**MR. CHAIRMAN:** What you're asking to receive, Mr. Orchard, is a Cabinet committee document.

**MR. D. ORCHARD:** No, it is a submission on the financial status of a Crown corporation that we are examining that had unreported losses, according to the Provincial Auditor, in 1984-85. I would like to see what the corporation - because this Minister has hung his hat entirely on the fact that senior management kept him and the Cabinet in the dark. Now if we had this document from senior management at the request of Mr. Silver that was supposed to go to the ERIC committee of Cabinet in February 7 of 1985 and, in that, it showed that the future losses in reinsurance could be \$24 million, that sort of proves this Minister to be less than a truthful man. That is why it is terribly important to have that.

But I will allow Mr. Silver to keep on his answers as to the reasons why this committee should not have that, if that's what his answer was going to be.

**HON. J. BUCKLASCHUK:** Just on that, the Member for Pembina very well knows that Cabinet documents are not for open distribution. I mean, we have gone, I would suggest and I've said it a number of times, beyond anything that has ever been done before in terms of being open about this. The Provincial Auditor had access to ministerial files, had access to corporate files, had access, which I really believe is very unprecedented, to Cabinet material, and he has made his comments within his report which has been submitted for the consideration by this committee.

The Member for Pembina is desperate. He's been trying for so long to build up this scenario of some sort of a cover-up, and he's very frustrated because there never has been a cover-up. There never has been. The Provincial Auditor has spent considerable time preparing this report, has probably reviewed hundreds, if not thousands, of documents. That appears to be unacceptable to the Member for Pembina. If the Member for Pembina has specific questions about the reinsurance section, I would suggest that they be directed to the president or to me, as the Minister, and I'm sure that the questions will be responded to. But this type of questioning of tabling Cabinet documentation goes beyond the bounds of anything that is acceptable in a committee hearing.

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**MR. D. ORCHARD:** This is not a Cabinet document. This is a financial report prepared by MPIC, outlining presumably their profitability and their potential for loss or profitability in the near future. It's a financial document of the corporation much similar to an annual statement. The easy way to get around this would be to have the Provincial Auditor come up, and I would like to ask him if he saw the presentation made to the ERIC committee of Cabinet at the request of Mr. Silver's Crown Investment's Minister, because Mr. Silver or Mr. Bucklaschuk aren't going to answer this question under the guise of this Cabinet directive or whatever solidarity. There is nothing in here that is protective of anything except Cabinet knowledge of the losses. There is nothing here that should not be part of this committee study, because all it is is financial information. It's as simple as that, and this Minister is hiding behind Cabinet solidarity and Cabinet confidentiality to hide from the committee pertinent information, and Mr. Silver is helping him to do it.

So if you would just simply call the Auditor up, I would like to ask him to see whether he has knowledge of this report.

**HON. J. BUCKLASCHUK:** There is nothing to hide, and I would be pleased if the Provincial Auditor or his staff were to join us and to respond to the questions relating to the submission to a Cabinet committee. I believe the Auditor's staff have reviewed that, and I think they should be able to answer the questions, another indication that we're not hiding anything.

**MR. CHAIRMAN:** Could I call the Provincial Auditor and his relevant staff to come forward please? Could members perhaps slide down to allow space for the Provincial Auditor and his staff?

**MR. D. ORCHARD:** Mr. Chairman, I'll send this document over to the Provincial Auditor so that he's familiar with the report that was presumably to go from MPIC to the ERIC committee of Cabinet at the request of Mr. Silver, his Deputy Minister and ex officio board member of MPIC, to know whether that report was ever reviewed by the Provincial Auditor as it was given to the ERIC committee of Cabinet.

**MR. CHAIRMAN:** Mr. Jackson.

**MR. F. JACKSON:** I would ask Mr. Mayer to respond to that question.

**MR. CHAIRMAN:** Mr. Mayer.

**MR. R. MAYER:** We did not see the document that is being discussed here in the files that we reviewed. We did review ERIC minute extracts. There was information requested from ERIC on MPIC's operations, profitability. Some information was received by ERIC in November of 1985.

**MR. D. ORCHARD:** So, Mr. Mayer, you never saw the report which presumably would have fulfilled the request from Mr. Silver, Deputy Minister of Crown Investments, requesting that report to be made to the ERIC committee? You never saw what went from MPIC to the ERIC committee?

**MR. R. MAYER:** That's right. We did not see it.

**MR. D. ORCHARD:** Mr. Chairman, that sort of destroys the Minister's answer that the Auditor has seen everything and not reported anything unusual. Will the Minister now reconsider the position he took and table that presentation on the financial and future profitability of MPIC at this committee? If he has nothing to hide, why wouldn't he do it? The Provincial Auditor hasn't seen it. It should be no problem, Mr. Chairman, because this Minister's squeaky clean - isn't he? - and this government is squeaky clean.

**HON. J. BUCKLASCHUK:** We've been very open on this issue. My understanding was that the Provincial Auditor or his staff had access to any and all information that they felt relevant to the reinsurance issue. I don't know whether they had requested as specific information this report, but my understanding is that they did request access to some Cabinet committee material that was provided. I'm not aware that they were denied access to this particular document. It could well be that the Provincial Auditor, at that time, did not feel there was any relevance to the issue at hand.

**MR. D. ORCHARD:** Don't let him put words in your mouth about relevance, because I may have to ask you about that.

**HON. J. BUCKLASCHUK:** Well, I just indicated that my understanding was that the Provincial Auditor had determined what was felt to be relevant to this issue. Access was provided to that and it may well be that the report that is under discussion at the present time was not considered to be of any consequence, but it is still - the fact that it is a submission to a Cabinet committee, I would consider that to be a Cabinet document, and I would not want to table that document at this time - nothing to hide, it's just a matter of principle. There's never been anything to hide anyway, so it's nothing new.

**MR. D. ORCHARD:** Mr. Chairman, the Minister has said that the Auditor did not see anything presumably relevant in this. The question is to the Provincial Auditor. Were you aware, during the investigation, that this report had been made to the ERIC committee of Cabinet, fulfilling a request by that letter that you have in front of you?

**MR. R. MAYER:** Mr. Chairman, we were not aware of the specific document, but we did not ask for this specific document as well. We had access to extracts of ERIC committee minutes, which we were given.

**MR. D. ORCHARD:** Yes, I understand all that. But, first of all, were you not aware of the document, you'd hardly be able to ask for it. So that again shoots the Minister's theory down that the Provincial Auditor reviewed everything that was relevant. If you weren't aware of it, you would hardly review it, as I see it.

So I return to the basic position that I want to make with this Minister. Why would you not present that report to committee? What have you got to hide in it? What are you so afraid of in that report? Are you afraid that

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it shows to the ERIC committee of Cabinet that there were significant losses that were going to impact on the future profitability of the MPIC from the Reinsurance Division in February of 1985? Is that what you're afraid it shows so that not only you covered it up, but your senior members of Cabinet covered it up? Is that what you're afraid of? Because if you are, I can understand why you're going to claim Cabinet confidentiality and not give us that document.

This, to use a well-worn term, may well be the smoking gun.- (Interjection)- I mean, my friend, the Minister of Education says, what if there isn't one? Fine, table the report and let the committee decide that.- (Interjection)- oh, certainly.

You table that for discussion this evening, Mr. Minister, and let us decide. Would you do that, Mr. Minister?

**HON. J. BUCKLASCHUK:** I just find this whole thing almost amusing. You know, here we have this Member for Pembina again. We're going to find that smoking gun in the minutes. Well, my God, we have made minutes available from December of '82 to January of '87. There is no smoking gun, there is no cover-up, there is no devious plot there.

You know, we go back to the Provincial Auditor's Report. I'm sure that the Member for Pembina was just terribly disappointed because, nowhere in the report, does the Provincial Auditor conclude that there was any kind of a cover-up. What this whole exercise has done is shown that we have been as open as possible and, no matter how many doors you open, there is always one more that the Member for Pembina would like us to open so he can find that smoking gun. It must be very frustrating to know that there is no smoking gun. I suppose that, even as the Minister, I could read this report and, after having read it a number of times, feel that there were a number of things that we could ask the Provincial Auditor to look into to substantiate the position I have taken. But, you know, this thing is never-ending at the rate we're going.

The fact is that I'm not aware of the particular document that the member is referring to. I don't even know if there was a document. It could well be that there was a request made by the Deputy Minister of Crown Investments. I have no idea at this time whether or not it was followed up. I do know that there was a strategic planning document in October of '85 adopted by the board. I think it was October '85 or September '85. I don't know if the Provincial Auditor's staff reviewed that, but that was certainly dealt with by ERIC. That would certainly project . . .

**MR. D. ORCHARD:** No, it didn't.

**HON. J. BUCKLASCHUK:** It didn't what?

**MR. D. ORCHARD:** What were you going to say?

**HON. J. BUCKLASCHUK:** Well, why don't you let me finish?

**MR. D. ORCHARD:** Go ahead.

**HON. J. BUCKLASCHUK:** Ridiculous.

I was going to say that the strategic planning document would project the future of the corporation,

whether it be the Autopac section or the general division section. As I indicated, I know that certainly the Provincial Auditor was aware of that document. I don't know how thorough a review, if any review, was made of that document but, insofar as the document that would flow from the request of the Deputy Minister of Crown Investments, I don't know whether that document was even prepared.

It may well have been, but I can assure the member of one thing, and that is that there would have not been any reference to the assumed reinsurance losses to the extent that was provided to us, to the board, by a report in October of '86, because that was not known by the board, by the Minister. It may well have been known by some management officials - I don't know - but that certainly was not conveyed to me.

**MR. D. ORCHARD:** Mr. Chairman, is the Minister saying that the strategic planning document of October 1985 laid out the reinsurance losses? Is that what the Minister just said?

**HON. J. BUCKLASCHUK:** It would seem to me that a strategic planning document is something you put together for review as to where you are going over the next 5, 10, 15 or 20 years. Certainly, if we're talking about a strategic planning document of which the general insurance is one section, you would normally expect that reinsurance would be included. I presume that, to understand or to project what the future may hold, you have to have some understanding of the past and the present. Again, I want to assure the Member for Pembina that there was no reference to \$36 million in potential losses in that document either.

**MR. D. ORCHARD:** Mr. Chairman, would the Minister, since he refuses to table this innocuous document that he doesn't know whether it exists or not, would he allow the Provincial Auditor to review that presentation made by MPIC to the ERIC committee of Cabinet?

**HON. J. BUCKLASCHUK:** I don't know whether that particular document even exists.

With respect to that particular document, if the member is so concerned that there may well be some reference to reinsurance losses that had not been declared, I'd certainly be prepared to review it. But insofar as the Auditor's work is concerned, I think this is a completed report, with the exception of the Bison reinsurance losses or the Bison reinsurance business and the business that was directed by a former chairperson.

But with respect to this report . . .

**MR. D. ORCHARD:** He didn't see it to write that report. Would you let him see it now. Will you let the Provincial Auditor see the report that was presumably prepared for February 7, 1985, which they said they never reviewed to prepare this? Will you allow the Provincial Auditor to see that since you are refusing to give it to this committee? -(Interjection)- Oh yeah, bail out, boys. Will you allow the Provincial Auditor to see that report because he said at this committee they did not have access to it?

**HON. J. BUCKLASCHUK:** I don't know if it even exists.

**MR. D. ORCHARD:** It exists according to ERIC committee minutes, presumably.

**HON. J. BUCKLASCHUK:** It is a document for the benefit of Cabinet. I have no intentions of tabling that document, but I want to assure the member, as I have assured over and over and over again, that there was no information provided to any of my colleagues, other than the Minister of Finance, about potential losses because they were in fact not even known until October of '86. It was a strategic planning document. I made reference to that. It's a September'85 document. The Provincial Auditor makes reference to it on page 5,

and it's in the third paragraph if the member wants to see what it says.

**MR. D. ORCHARD:** Third paragraph of what?

**HON. J. BUCKLASCHUK:** Page 5 of the Provincial Auditor's Report.

**MR. CHAIRMAN:** The hour being 12:30 p.m., committee rise. We shall reconvene this evening at 8:00 p.m.

**COMMITTEE ROSE AT:** 12:30 p.m.