

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

Tuesday, 14 July, 1987

TIME — 8:00 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. D. Scott (Inkster)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Bucklaschuk, Doer, Evans,
Kostyra, Schroeder

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

APPEARING: Mr. Fred Jackson, Provincial Auditor
Mr. Robert Silver, President and General
Manager, MPIC

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Public
Insurance Corporation (1986)

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

Before we start, while this committee is running concurrent with other committees, there may be members from time to time - Ministers who have to leave to cover bills, and other members wanting to cover things as well - so if people are wanting to go to other committees, we'll try and work to facilitate the two committees that are running simultaneously.

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I do want to be in, listening to the briefs on The Mental Health Act, so I'll try to keep my questioning brief and to the point.

First of all, I wonder if the Provincial Auditor can give us his opinion on the financial report.

MR. CHAIRMAN: Would the Provincial Auditor come forward, please?

Mr. Jackson.

Mr. Orchard, do you have a question for the Provincial Auditor? Staff?

MR. D. ORCHARD: Yes, Mr. Chairman.

Did you have an opportunity to review presumably what was the documentation at the behest of the letter that I had sent over to you today?

MR. F. JACKSON: Mr. Chairman, yes, I did have an opportunity. We got the information we requested from the Department of Crown Investments. We were able to satisfy ourselves that we had all the supporting

information that supported the extracts of the minutes we previously had. We were able to determine that the information that was forwarded to the ERIC committee was basically similar information to what was in the annual reports of the corporation. There was no information provided that suggested that the losses were other than what was reported in the annual report of the corporation.

MR. D. ORCHARD: So, in other words, from that answer, what were the losses in IBNR reinsurance that were part of the financial presentation by MPIC to ERIC committee?

MR. F. JACKSON: Mr. Chairman, the loss that was reported, related to the ERIC committee, related to the loss for 1984 of, I believe, \$4.8 million. Since the information came forward later in the 1985 fiscal year, there was a projection of a loss for 1985 as well.

MR. D. ORCHARD: And that projection for loss in '85 was?

MR. F. JACKSON: \$4.2 million.

MR. D. ORCHARD: So they had a total loss projection of 9 million?

MR. F. JACKSON: Yes.

MR. D. ORCHARD: Mr. Chairman, I can't find the letter, but basically the letter requested, if I recall correctly, the profitability of the corporation in short and medium term.

Was there a projection for reinsurance losses which would take you beyond the current fiscal year and into the medium term that was part of that presentation?

MR. F. JACKSON: There was information requested, I believe, in 1985 and that information that was requested was not supplied, and that's what Mr. Mayer had indicated at the last meeting of the committee.

MR. D. ORCHARD: Mr. Chairman, information was requested presumably by ERIC committee as to an elaboration of the reinsurance losses?

MR. F. JACKSON: Yes, with some projections for the mid and long term, and the next information that I believe came forward to the ERIC committee was the operating results for 1986.

MR. D. ORCHARD: Would then show the 36 million?

MR. F. JACKSON: Yes.

MR. D. ORCHARD: And what time did that get to - well, of course, ERIC committee didn't exist at that time. It was after the election.

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MR. F. JACKSON: Information in December.

MR. D. ORCHARD: December of?

MR. F. JACKSON: 1986.

MR. D. ORCHARD: Again after the election?

MR. F. JACKSON: Yes, because we have ERIC committee minutes up to January 1987.

MR. D. ORCHARD: Okay. So basically what you're saying is that - do you recall the time at which this financial information was made available to ERIC committee? The target date was February 7, 1985, I believe. Was that the time frame that it was presented to ERIC committee?

MR. F. JACKSON: I believe not. I believe that the information came along somewhat later than that.

MR. D. ORCHARD: Significantly later than that?

MR. F. JACKSON: I believe November.

MR. D. ORCHARD: Significantly later, then. And at that time, the \$4.2 million was identified for the '86 year?

MR. F. JACKSON: For the '85 year.

MR. D. ORCHARD: Pardon me, the '85 year, and was presented in the annual report?

MR. F. JACKSON: Well, it wasn't presented in the annual report because the annual report wasn't complete at that time, but that was an estimate at that point in time for the 1985 year.

MR. D. ORCHARD: Was it reflected in the '85 report eventually?

MR. F. JACKSON: Yes.

MR. D. ORCHARD: And that is the reflection that you have indicated in your report which understated in '84, as well as in '85, the IBNR losses.

MR. F. JACKSON: Yes.

MR. D. ORCHARD: Now, page 14 of your report, about the large middle paragraph, it says specifically in 1984 there was substantial evidence that management was aware of significant unreported claims. The IBNR provision was significantly understated.

Now it also goes on in the next paragraph to indicate that we also note in '84 and '85, president, vice-president, Finance, etc., signed management representation letters for the external auditors. These letters basically stated that all liabilities with respect to IBNR had been recorded and that all information was supplied to the auditors. In our opinion, it was not appropriate for these executives to sign these letters in '84 and in '85, knowing the IBNR provision was significantly understated.

Did you arrive at that opinion, or to that statement, on the basis of information that was available within the corporation in '84 and in '85?

MR. CHAIRMAN: Mr. Mayer.

MR. R. MAYER: Yes.

MR. D. ORCHARD: And that information was then not forwarded presumably to ERIC committee? Is that correct?

MR. R. MAYER: That's right.

MR. D. ORCHARD: The Minister presumably - well, I'll ask the Minister. The Minister had a document that he referred to the Minister of Finance of the day which showed up to \$24 million of claims incurred.

Mr. Minister, were you aware that the report prepared by MPIC and delivered subsequently in November of 1985 had no reference to the \$24 million that you were made aware of, or up to \$24 million, and for certain \$12 million in 1984?

MR. CHAIRMAN: Mr. Minister.

HON. J. BUCKLASCHUK: Let's just clarify something. The ERIC report that the Provincial Auditor has just referenced, I believe I had indicated a \$4.8 million loss in the General Division.

MR. D. ORCHARD: No, that isn't what the Provincial Auditor said.

HON. J. BUCKLASCHUK: That was my understanding. There was 4.8 . . .

MR. D. ORCHARD: Let's have the Provincial Auditor correct this. Was that \$4.8 million in the IBNR and \$4.2 million subsequently for the next fiscal year for the IBNR?

MR. F. JACKSON: It's not the IBNR itself. It's the whole operation of the . . . - (inaudible) - . . . operation, and while it said the general insurance operations, the report that I read suggested that essentially all of the losses were attributable to the reinsurance assumed operations.

HON. J. BUCKLASCHUK: The Provincial Auditor, I think, is stating what is found in the president's message in this particular report, in '84. I think the 4.8 is largely attributable to reinsurance losses, but that 4.8 takes into account the \$12.1 or \$12.3 million that had been incurred and had been reported, and additionally some 2.25 additional IBNR.

So the difference would have been roughly \$10 million that was spread over the next four or five years for which an IBNR had not been set up.

MR. D. ORCHARD: Which was the subject of the Provincial Auditor's comment, that it should have been reported?

HON. J. BUCKLASCHUK: That's correct.

MR. D. ORCHARD: And is the same \$12 million that Mr. Sigurdson, in questioning by the Provincial Auditor, indicated that he and Mr. Laufer came to you indicating

the \$12 million IBNR should be set up for the 1984 financial statement, and you indicated it would be inappropriate to present that at this time and requested the options whereby one of the options was to spread it out over the four-year period and not report it, which the Provincial Auditor said was not proper.

HON. J. BUCKLASCHUK: The reference to the Provincial Auditor's Report indicates that there was a recommendation that \$12.3 million be added to the assumed reinsurance IBNR provision. I've indicated that was one of three choices that were presented to me by the chairperson and the general manager of the corporation.

In fact, \$2.25 million was added to the IBNR for some provision of what was anticipated to be \$12.3 million future claims.

MR. D. ORCHARD: Mr. Chairman, that's the Minister's version, but Mr. Sigurdson and the Minister at the previous hearing, not today but the previous hearing, said he had no basic disagreement with Mr. Sigurdson's version of events, meaning presumably that Mr. Sigurdson was not misleading the Provincial Auditor, that he was telling the truth in that Mr. Sigurdson said - and I'll read the paragraph for you if you wish, but I don't have to - he said he and Mr. Laufer came to you saying that \$12.3 million ought to be added to the assumed reinsurance IBNR. Mr. Sigurdson said that you informed him and Mr. Laufer that it was not an appropriate time to record this and requested then the options which you refer to. You said Mr. Sigurdson is basically an honest man. Basically, you have no disagreement with what he said.

So, in other words, Mr. Minister, what you're telling us today, as the Provincial Auditor has said, that the \$12.3 million should have been reported, and you chose not to. And further to that, you in fact did not even have it included in the financial statements that were requested by Mr. Silver, as Deputy Minister of Crown Investments, to go to ERIC committee, a report presumably you as Minister responsible would have been at to answer questions on.

HON. J. BUCKLASCHUK: First of all, I never at any time indicated that Mr. Sigurdson had misled the Provincial Auditor.

MR. D. ORCHARD: That's right.

HON. J. BUCKLASCHUK: I had indicated that this particular meeting of October 19 took place some three years ago. Mr. Sigurdson, to some extent, had different recollections of the meeting than I did. I can certainly account for my recollections; Mr. Sigurdson would have to answer for his recollections.

However, I did indicate and I'm taking it from the statement: "He and the president met with the Minister and recommended . . ." I'm saying that is certainly consistent with what I have been saying in that when a recommendation is made, it implies that there are choices.

I have stated from the outset that choices were given to me, and I chose what I considered to be an acceptable way of displaying the potential claims over

the next four or five years. I've said that from the outset; I've said it in a press conference. I made that decision, a recommendation, preference, whatever you want to call it, but the choices were provided to me.

MR. D. ORCHARD: Do you then, Mr. Minister, agree with Mr. Sigurdson's recollection to the Provincial Auditor, which you have not disagreed with, that you requested those options be developed?

HON. J. BUCKLASCHUK: No, I disagree with that. I've said I was presented with options. I've always indicated there has been that difference of recollections.

MR. D. ORCHARD: The difference of recollections is your recollection versus that of Mr. Laufer and the independent chairman, Mr. Sigurdson, with two people indicating the version of Mr. Sigurdson, and you indicating your version by yourself. Is that not correct, Mr. Minister?

HON. J. BUCKLASCHUK: What I am saying is that different individuals have different recollections.

MR. D. ORCHARD: Did you, Mr. Minister, see the information that was presented to ERIC committee in 1985, November?

HON. J. BUCKLASCHUK: I believe I had seen it a day or two prior to the ERIC committee meeting. The paragraph that the Provincial Auditor referenced about a statement indicating a \$4.8 million loss in 1983-84 was not inconsistent with the facts.

The budgeting for a loss of \$4.2 million - that could very well have included that the fact that there is a budget for a \$4.2 million loss, does not in any way reflect on what the claims incurred in that year will be. At least it doesn't tell us what the claims incurred will be in the assumed reinsurance. One would have to take a look at the background sheets at the corporation that were used in the development of this particular document.

It's conceivable that the corporation may have anticipated, as an example, \$15 million in revenues and \$19.8 million in claims, including claims incurred but not reported that year, which would have then given us a \$4.2 million loss in that division. I'm assuming that the General Division, the Property and Casualty, would have been a break-even situation. The fact that there's a \$4.2 million figure does not, in any way, tell us what assumptions were made in terms of claims that were to be incurred during that fiscal year.

MR. D. ORCHARD: Mr. Chairman, presumably, by November 1985, this Minister who indicates that since 1982 he was enquiring about the reinsurance losses, given that he's already indicated to this committee that he chose an option to defer for the next four years 10 million of IBNR from the 1984 annual report; given that his document that he sent over for comment to the Minister of Finance indicated \$24 million of claims to be incurred to the year 1988-89, sat there and allowed a report to go to his colleagues in Cabinet in November of 1985, where there was an indication that there would be, maybe \$9 million reported - the major portion of

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it IBNR - when you already had reports a year old indicating it could be up to 24 million and you didn't - you thought that you were fully informing your Cabinet colleagues?

HON. J. BUCKLASCHUK: I would suggest that I had a better understanding, and have a better understanding than the Member for Pembina displays at this committee meeting.

I indicated a matter of three or four minutes ago that while there had been a discussion of \$24 million in incurred losses, that is, losses that were reported and losses that had not been reported, some \$12.1 million, I believe, was declared in the '84 annual report.

Additionally, \$2.25 million were added to the incurred but not reported. So, in fact, some \$14.35 million of losses are shown in this particular report in the financial statement in the General Division.

MR. D. ORCHARD: Which the Auditor says was not adequately reported, that it should have been 24 million then.

So, Mr. Minister, you can't win on this line - you have not provided factual information to your colleagues or to this committee.

HON. J. BUCKLASCHUK: I don't know if there's any purpose in my responding again. I think I've said that same - I've given the same response ever so many times, and the Member for Pembina chooses not to understand or chooses not to hear or whatever.

MR. D. ORCHARD: Mr. Chairman, it's not me that chooses not to understand or not to hear. It is the Provincial Auditor that had said in '84 and in '85 - your MPIC Annual Report did not properly report the losses, losses that you knew existed. It's not me who's saying that, it's the Provincial Auditor, so don't confuse the issue.

HON. J. BUCKLASCHUK: I'm not trying to confuse the issue. But the point I'm trying to make, and I've said this over and over time, decisions or recommendations or preferences were indicated in 1984 on the assumption that the choices that were provided to me were in accordance with generally accepted accounting practices. Now that we know today - we knew three or four months ago - that the options that were provided were not necessarily the best options to be forwarded. It's very easy for the Member for Pembina to say that somehow or other, consciously, one was aware that there was misrepresentation in the annual report.

MR. D. ORCHARD: Again, it's not me that's saying that, it's Mr. Sigurdson who's saying that.

HON. J. BUCKLASCHUK: I'm not disagreeing with the Provincial Auditor's Report, now with the knowledge that there are more acceptable ways of displaying the IBNR. I'm not questioning that the '84-85 reports are not as complete as they should be. The fact is that 1986, the annual report, does reflect an IBNR provision on the basis of the best information available to the corporation at that time.

MR. D. ORCHARD: Mr. Chairman, we won't belabour this Minister's plight any longer.

Mr. Sigurdson has indicated to the Provincial Auditor that he provided with Mr. Laufer information showing the loss, it should be 12.3. The Minister chose not to report it, asked for options, chose an option which would understate it dramatically. That was affirmed by the Provincial Auditor, that it was understated in 1984 and 1985, based on knowledge that was available in both '84 and '85.

So, Mr. Chairman, I'd like to ask Mr. Silver if I may, who is now general manager. What was the purpose of the strategic planning document that the Minister referenced earlier this afternoon - the September '85 presentation to ERIC committee? What was the purpose of that document?

MR. CHAIRMAN: Mr. Silver.

MR. R. SILVER: Mr. Chairman, it's an attempt by the corporation to determine where it is the market and environmental or the environmental market pressures that it is facing, where it chooses to go, and the strategies for getting there over the long term. In this case, it was five years.

MR. D. ORCHARD: Was this a document whose idea for creation was internal to the corporation, or were you requested as a corporation to develop this document?

MR. R. SILVER: There had been a request, Mr. Chairman, there had been a request to the corporation to develop that document.

MR. D. ORCHARD: What was the nature of the request and what areas were you to investigate?

MR. R. SILVER: Mr. Chairman, the corporation was one of several corporations that had been selected to participate in a pilot project, to build an experience with and a capability in strategic planning.

MR. D. ORCHARD: What areas were chosen to do some strategic planning in?

MR. R. SILVER: Mr. Chairman, virtually by definition, a corporate strategic plan is one that should at least contemplate where the corporation is in all of its facets of business and considers what its threats and opportunities are and how it's going to deal with them.

MR. D. ORCHARD: Did this strategic planning document of September 1985 do that for the Reinsurance Division of the general insurance operation of MPIC?

MR. R. SILVER: Mr. Chairman, I would say, in a very cursory fashion, given the information that we now have.

MR. D. ORCHARD: So it was examined then, is what you're saying?

MR. R. SILVER: Mr. Chairman, the matter was dealt with slightly in that document, yes.

MR. D. ORCHARD: What other areas were dealt with?

MR. R. SILVER: The broad areas of the Auto Division and the General Insurance Division.

MR. D. ORCHARD: In what areas? Obviously you're planning for the future. What did you consider as future plans?

HON. J. BUCKLASCHUK: Mr. Chairman, may I just interject here. We're off onto another tangent here. We are dealing with the submission that went, that is a submission to a Cabinet subcommittee.

It might be useful if the Member for Pembina would indicate what information he's getting at. I don't think it's appropriate that we should be discussing the contents or decisions made with respect to a Cabinet presentation. I presume it's a smoking gun again. We didn't find it this afternoon and we're now on another tangent.

MR. D. ORCHARD: Mr. Chairman, this Minister doesn't need any more smoking guns.

Mr. Chairman, life insurance report was referred to this afternoon. Is that one of the areas that the corporation investigated?

MR. R. SILVER: Notwithstanding that it is a strategic plan prepared in the 1985 time frame, it nevertheless does contemplate strategies for the corporation. As such, I do not feel comfortable discussing matters of corporate strategy in a public forum, whether or not the strategies that were contemplated in that were adopted at that time.

MR. D. ORCHARD: You see, Mr. Chairman, I guess this is where we get into some difficulties in finding out what Mr. Silver's role is, who requested the planning documents, etc., etc., and what the corporation investigated, because one of the difficulties, for instance, that the Telephone System got into was getting into a venture outside of this country, which subsequently cost them a lot of money. The only - other than automobile insurance venture of MPIC, that this corporation entered into were the General Insurance Division and the Reinsurance Division of the general insurance aspects, both of which were significant money losers and continue to be significant money losers.

Now, ERIC committee of Cabinet presumably directed the Public Insurance Corporation to investigate other areas. The future of the corporation and its profitability presumably were reasons why you would investigate such things as the life insurance business.

Now it becomes rather self-evident, in an examination of the corporation taking on new roles, like life insurance, for the ERIC committee of Cabinet, for the government to be informed at how well they're doing in the General Insurance Division that they're already in, which is extra-curricular and in the competitive market compared to Autopac, and indeed the reinsurance business. That's why the question was posed: Did this planning document, which took you five years out, show how well you were going to be doing in the Reinsurance Division, as one example, and you've indicated it dealt with it in a cursory way, didn't

document presumably as much information as was available? Is that a fair assumption?

MR. R. SILVER: Mr. Chairman, I think as we now know, the matter of reinsurance was repeatedly conveyed to the board, or at least when it was conveyed to the board, it was talked about in a very comforting fashion. The comfort continues to be expressed within that particular planning document. I think we now understand that there was little reason for comfort at that time, and in that respect I refer to this report and how it deals with reinsurance assumed as being cursory.

MR. D. ORCHARD: So, Mr. Silver, what you're saying then is that, as you were an ex officio board member, that you never had pointed out to you by the senior management, by Mr. Dabo, that there were substantial problems looming in the reinsurance business during 1984, during 1985? Is that what you are saying today?

MR. R. SILVER: Mr. Chairman, prior to my assuming responsibilities over at Manitoba Public Insurance Corporation, I had never met Mr. Dabo.

MR. D. ORCHARD: So that you did not, as an ex officio board member or when you became a regular board member, have any knowledge, were never informed of any of these reinsurance losses that Mr. Dabo was researching?

MR. R. SILVER: Mr. Chairman, I had been led to believe that there were future anticipated claims in the reinsurance-assumed business. It was said, and it was understood that the insurance industry is characterized by large numbers, by long-term, large populations, sudden shocks. In that sense, any level of claim that was anticipated to come some time in the future was deemed to be only a reasonable expectation of the industry.

MR. D. ORCHARD: Mr. Chairman, can I ask Mr. Silver, who is now the general manager of MPIC, whether there are still plans to enter, for instance, the three options that were most viable or most considered in this September '85 document - the life insurance industry; the second issue that was considered in this document was expansion outside of Manitoba, the issue being should MPIC expand its base of operations to other provinces to provide greater opportunities for growth?

The third area that was considered in this report was the financial centre concept, the issue being should the corporation broaden its base of operations through the development of one-stop shopping financial centres for distributions of its products and services. Are those under active consideration - any of them - including life insurance right now?

MR. R. SILVER: Mr. Chairman, I'm an official of the corporation; I serve the corporation. I believe it would be irresponsible for me to comment on what is or what is not planned as a potential strategy for the corporation.

MR. D. ORCHARD: Then, Mr. Silver, would you care to indicate just who would be able to tell this committee

whether the corporation is actively considering the entry into the life insurance business, the entry into outside of Manitoba expansion, presumably of the auto insurance business or the general insurance business, or whether it's considering one-stop financial centres?

If you, as general manager and the chief executive officer of the corporation can't answer that, who can?

MR. R. SILVER: Mr. Chairman, I believe that's a question that is appropriate for the shareholder.

MR. D. ORCHARD: Mr. Bucklaschuk, are any of those three areas being contemplated by the government for the insurance corporation?

HON. J. BUCKLASCHUK: Mr. Chairperson, now that the Member for Pembina has acknowledged that he has before him a report which previously had only been in the possession of board members, and presumably the former general manager of the corporation, I would appreciate his referencing the page to which he is making reference.

MR. D. ORCHARD: Executive overview, page 1, page 2.

HON. J. BUCKLASCHUK: And the specific question being?

MR. D. ORCHARD: Are you considering the entry into the life insurance business, expansion outside of Manitoba, or one-stop shopping financial centres?

HON. J. BUCKLASCHUK: Life insurance, that particular question was responded to some two years ago, I believe, in the House, at which time the Premier and I both indicated that we were no longer pursuing that particular initiative.

With respect to operating out of Manitoba, there is no active consideration at the present time of operating outside of Manitoba.

With respect to a one-stop financial service centre, at present all our efforts are directed towards making the corporation of Autopac as efficient as possible to continue to provide the lowest possible rates to Manitoba motorists.

Insofar as the general insurance, we are directing all our efforts to providing the best property casualty insurance that is available to Manitobans, and it's in a competitive basis and the corporation has been wrestling with the reinsurance issue. That is something that is being worked on at the present time.

Insofar as any of those three initiatives, they are not under active consideration at the present time.

MR. D. ORCHARD: Mr. Chairman, that is understandable given the report here. Understandable from the standpoint that entry into, for instance, the whole life business after 10 years will still be losing money, and I presume that would have to be a consideration that would negate the entry into the life insurance business, and some of the assumptions that have been given to us by the government, by the NDP, that it would provide a new pool of capital, were refuted in this report. Are those the reasons why you're not considering any longer life insurance?

HON. J. BUCKLASCHUK: I keep smiling to myself - no smoking gun. Isn't that terrible? Terrible. We are all over the place aren't we.

The reasons that the corporation decided not to go into the life insurance business, those are reasons that were made and the decision was taken some two years ago. There's been no further consideration of going into life insurance. I fail to understand how that deals with the '86 report that is before us, or with reinsurance that everybody thought was a big issue, the big cover-up. Clearly -(Interjection)- No, you haven't. The problem is that the Opposition has established nothing; they've established that they have no case. Now they're so embarrassed, they've been able to purloin someone's copy of an internal Cabinet document, and think they've got something else again.

MR. G. FILMON: \$12.3 million IBNR not shown.

MR. CHAIRMAN: Order, order please. Order, order. Order, Mr. Filmon, please. Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, the Minister is obviously getting a little excited . . .

HON. J. BUCKLASCHUK: I will challenge the Leader of the Opposition to one of these days be brave enough to say some of these things outside of this committee in the hallway.

MR. G. FILMON: I did . . .

MR. CHAIRMAN: Gentlemen, could we please have a touch of order and decorum return to the committee. I'm going to recognize the . . .

HON. J. BUCKLASCHUK: Just one final point. If I weren't such a decent person, as I think I am at times, and trying to be understanding of the nonsense from the Opposition, then that very action would have been taken some months ago for which there was sufficient grounds.

HON. V. SCHROEDER: Point of order.

MR. CHAIRMAN: Yes, Mr. Schroeder.

MR. D. ORCHARD: Hearing the discovery would be quite interesting.

HON. V. SCHROEDER: I am asking, as a member of the committee, that we get on to dealing with the report that is before the committee today. I think that it's time. We dealt an awful lot with a whole bunch of speculation; it's all fine and good. We've gone on probably the largest fishing expedition that we have in this whole Session. Now the fishing, it seems to me, should be over. There's been no fish; I think it's time to cut bait.

MR. D. ORCHARD: Is this the \$36 million sucker speaking?

MR. CHAIRMAN: Mr. Orchard, there's no rationale or no cause for comments of that nature. I would ask

members to temper themselves. I think Mr. Schroeder's point is well taken. Under the Order Paper, the purpose of the committee is to review the financial report before us for 1986 of the Manitoba Public Insurance Corporation.

MR. D. ORCHARD: Right, and Mr. Chairman, one of the things that we do in this committee is to look at policy; and, No. 2, the way expenditures are spent in MPIC.

MR. CHAIRMAN: I'll accept that.

MR. D. ORCHARD: Earlier this afternoon we were told that the board accepted payment for the life insurance study of \$375,000.00. That was a study initiated at the request of government. Having the Crown corporation pay for it, skillfully hides the dollars, the deficit in the line Department of government.

Mr. Chairman, I believe now that since the Auditor is here, I'd like to ask the Auditor, did you consider that the Crown corporation should be paying for that life insurance study; or did you believe that that was more appropriately an expense of government?

MR. F. JACKSON: I believe that was an issue that arose in 1983, and was a matter addressed by my predecessor. I think it was a matter that was reported to the corporation in our Audit Observation Report in 1983.

MR. D. ORCHARD: Was that observation that government should pay for it, and not the corporation?

MR. F. JACKSON: I believe we had some concerns as to the Autopac Division having any involvement with that.

MR. D. ORCHARD: Mr. Chairman, does that follow the relevance of the question we've got? And this is where Mr. Silver fits in, because Mr. Silver was concerned about a \$9,000 a month cross-subsidization within the Telephone System, between MTX and MTS, and yet Mr. Silver, presumably, as an ex officio member of the board, raised no objection to the corporation picking up a \$375,000 life insurance study expense that more properly belonged to government. Is that correct, Mr. Silver?

HON. V. SCHROEDER: On a point of order, Mr. Chairman.

MR. CHAIRMAN: Yes, Mr. Schroeder.

HON. V. SCHROEDER: What does this have to do with the 1986 report of the MPIC which we are here to study tonight? I think it's time that we got back onto our agenda and got it over with, instead of dealing with things that are four years old.

MR. CHAIRMAN: Mr. Schroeder brings a valid point, particularly if this was dealt with - and my recollection is not exact on it from the Provincial Auditor's Report of a few years ago - was it 1983 that you referenced, Mr. Jackson in the Provincial Auditor's Report? I can

recall this issue having come before the House, not precisely; I can't recall the detailed discussions at the time but I can recall that there was discussion at the Public Accounts of that time, but whether or not it came forward in the MPIC. I don't know if I was at the committee meetings pertaining to that. Certainly, there has been ample time for the discussion, in relationship to the study of the life insurance. I'm torn, I guess, because I want the committees - especially when they are dealing with all aspects, Crown corporations included - to be able to have thorough reviews.

I don't know how much the purpose of the committee is served when we go back into previous reviews of previous years to bring the items back up as a debatable item essentially, again. I don't mind the member referring to something that was uncovered or discussed in previous years and to tie that in, if they can, in some way to this report of 1986.

I'm trying to be somewhat liberal in interpretation here, and yet not go so broad so as to bring up previous years' debates, be they in Public Accounts Committee, or in this committee's previous hearings in previous years. I don't believe that's appropriate, other than perhaps as a reference in a follow-up of those reports; that is appropriate. But I don't think it is appropriate for us to get in and go back through the basic issues, once again, time and time again each year's report.

Mr. Schroeder, you had your hand up for a second? Did you . . .

HON. V. SCHROEDER: Yes, Mr. Chairman, I just want to say, as well, that I don't believe it's appropriate to be asking officials who appear here in one capacity questions about a previous capacity that they served in. Clearly, as a Deputy Minister of the government, a Deputy Minister of Crown Investments, was in a position to follow the requests of the government when the government said we want MPIC to pick up the tab for a study on a business venture which, had we gone ahead with it, would have been MPIC's. MPIC would have been the people who would have been able to carry on that business, and one could discuss whether that was a good decision or not. Clearly, it wasn't up to Mr. Silver to make that decision. It was up to the government to make that decision.

We made that decision, that decision was commented on by the Auditor three or four years ago; it is a matter of history, it's not a matter that we should be debating this evening, and we should also not be expecting our public officials to be answering questions with respect to activities they were involved with in previous positions in government.

MR. CHAIRMAN: I think those points are all very well taken.

Mr. Orchard.

MR. D. ORCHARD: In the report on life insurance, it says that in March 1983, "the Government of Manitoba directed MPIC to examine the feasibility of entering the life insurance and pension management business."

MR. CHAIRMAN: Could you relate that to the 1986 report, please?

MR. D. ORCHARD: I believe that the report was not available until sometime in 1985, presumably the

\$375,000 was paid for at some point in time since we have last had this committee meeting.

Now, Mr. Chairman, what this points out is another example of government directive to the Crown corporation that you shall (a) initiate a study; and then, even though it's the government that wants the study, the Crown corporation pays for it.

That does two things, Mr. Chairman, which I think are very appropriate to the discussion of this business. The drivers in Manitoba who insure their vehicles with Autopac, paid for a life insurance business as drivers, not as taxpayers. Now if that's the kind of hiding of expenditures that the Provincial Government wants to direct Crown corporations to do, and the concerns I expressed about the Minister's new bill on Crown accountability, where there is a clause in that bill which says the three Ministers, who are the board chairmen, can direct the Crown corporation to do any number of things. We have an example here right now where the government asked for a life insurance study; it was undertaken at a \$375,000 cost, which should have been reported as part of the deficit of the Province of Manitoba, but it was foisted over to the Crown corporation and hidden from the people of Manitoba.

Now we don't know what the cost was, for instance, of looking at expansion outside of Manitoba - again at the request of the government; we don't know what the cost of the investigation into the one-stop shopping financial centres was - and again, at the request of the government; but we have a Crown corporation paying for those, overstating the costs of the Crown corporation, overcharging the drivers of Manitoba, clearly, and understating the deficit. That is something that I'm concerned about, and I think all Manitobans are concerned about, is whether they are paying for auto insurance, or whether they're paying for the ideas of this NDP government to be investigated?

MR. CHAIRMAN: Mr. Orchard, with all due respect, I think those are very good points to raise and debate on the bill. They are very good points of debate to raise during the budgetary estimates of the government. They have been raised here in committee previously. I would suggest . . .

MR. D. ORCHARD: No, they haven't.

MR. CHAIRMAN: Yes, I believe they have. This is not the first time that we have dealt with the issue of the cost of the insurance study. As the Provincial Auditor has just indicated, it was in a previous year's Auditor's Report and dealt with as an item under the Auditor's Report. I would say - and I don't if I would be helping the member or not - I think it's appropriate to refer to those items and ask if there is any further items this year, but I don't believe it is appropriate for us to go in past years, when we know that the cost has been incurred, we know it's clearly been a government decision and the government had fully accepted that position and that responsibility to make those decisions, as the shareholder. I'm sure you feel you're doing your job in pointing those areas out. All I am saying is that they have been pointed out, and very clearly, in past years. You've pointed it out in debates in Legislature this year, and I would ask you to use those perhaps

as a basis to move into questions referring to the 1986 report.

MR. D. ORCHARD: Mr. Chairman, you see, this is existing examples where the government has forced costs on the Public Insurance Corporation. If we used your rationale, presumably, we would not have been able to ask questions about the 1983-1984 operations of MTX in Saudi Arabia at this committee hearing when we're dealing with a current annual report. I mean, you restrict one and . . .

MR. CHAIRMAN: No, I can tell what's appropriate.

MR. D. ORCHARD: Mr. Chairman, I'm not going to get into an argument with you over what are rules and what are not rules. You're going to be the one who decides what questions are appropriate, but if we have no responsibility from Mr. Silver now in his previous capacity because he's no longer Deputy Minister of Crown Investments and won't answer questions there, then that is a piece of history that will have to be uncovered at a later date, presumably, since he won't answer them today.

But what has happened in the past to get us into a massive loss in reinsurance is very important to this committee because entry into the life insurance business - and Mr. Silver can correct me if I'm wrong - also involved an expansion in the reinsurance industry. Is that correct?

MR. R. SILVER: Frankly, I have no idea, and I can't understand why it might.

MR. D. ORCHARD: Well, maybe I could suggest to Mr. Silver that he read this report then.

MR. R. SILVER: I say again that this report is an historic document at this point to the extent that if there's anything relevant in it for future planning, no doubt the future plan will address that.

MR. D. ORCHARD: And as a general manager and chief executive officer of the corporation to which this plan applies, you have no comment as to what the future intent is. You've already answered that. Is that correct?

MR. R. SILVER: Mr. Chairman, I believe the Minister has already indicated that the major strategic thrusts contemplated in that plan are not under active consideration at this time.

MR. D. ORCHARD: At this time - they may change their mind tomorrow.

HON. E. KOSTYRA: Could be.

MR. D. ORCHARD: That's what we want to know. You see, we're getting better answers from the Minister of Finance than the Minister of Crown Investments who says it could be they'll change their mind. That is the important issue here because, if they do change their minds, I think Manitobans want to know how well this group of Cabinet Ministers who have presided over a

Crown corporation in reinsurance and general insurance but loses money would consider that the ability is there in the corporation to expand outside the province - in auto insurance presumably - to set up one-stop financial centres, and make money, when the only times they got into the competitive environment, being general insurance and reinsurance, they lost enormous amounts of money.

So I think it is important to know whether the government is going to change their minds tomorrow and enter into life insurance, auto insurance outside of Manitoba - particularly when one of the comments on auto insurance outside Manitoba is an interesting one. And if I can find it, there's quite a few interesting ones in there.

Basically, it says the market is well served out of the province, which sort of flies in the face of all the pronouncements that Autopac can deliver the service cheaply, efficiently, etc., etc., and that probably is the reason why you're today not contemplating going into out-of-province services.

So I think it's important to know what the corporation is contemplating, and it would be very good for the Minister and for his Cabinet colleagues who are here tonight to give the people of Manitoba sufficient warning prior to an election that you're going to move into extra-curricular areas like life insurance or one-stop shopping financial centres; or sending Autopac out-of-province to compete in other markets, because the record of this government - and particularly this Crown corporation where they are in a competitive market - is not conducive to allowing the corporation to do that.

The statement that we're not considering it today, and as the Minister of Finance says, maybe we'll consider it tomorrow, is an important issue to Manitobans, because this document tells you you can't make money at it.

MR. CHAIRMAN: Mr. Orchard, I believe those are appropriate types of questions for the Minister more so than for the general manager.

Mr. Minister.

HON. J. BUCKLASCHUK: Before I reiterate what I said previously about the corporation's intentions, may I just make an observation.

It's rather interesting that the Member for Pembina, who has for the past four or five months been making all sorts of outlandish allegations about how there were cover-ups by God knows how many people in the Reinsurance Division, now that I know that he has this particular document and is aware that there is a section in here on reinsurance, clearly the Member for Pembina knows all the answers before he asks them.

He should know from this document that the information that I have been providing to this committee and in the House is entirely consistent with what's in this report. Strangely enough, he hasn't been asking any questions about the section on reinsurance. Not a bit.

MR. D. ORCHARD: What page are you on, John?

HON. J. BUCKLASCHUK: With respect to the - what page am I on? Page 254. You should have a little mark there. Yes, you do.

With respect to the corporation's intentions of entering into life insurance, that was made clear some two years ago. Outside of Manitoba - I've indicated there is no intention of going outside of the province. One-stop financial service centres - that is not under active consideration at the present time. Anything else I can tell the Member for Pembina?

MR. D. ORCHARD: First of all, Mr. Chairman, the Minister is correct. The reinsurance losses are not stated to the value they should have been stated in this report.

HON. J. BUCKLASCHUK: Unfortunately, Mr. Chairperson, the losses that were declared in the 1986 report are nowhere attributed to the responsible party. That happens to be the Lyon administration. The vast majority of treaties that got the corporation into trouble . . .

A MEMBER: That won't wash.

HON. J. BUCKLASCHUK: Won't wash? Well, if I may, Mr. Chairman, may I start . . .

A MEMBER: Read it out.

HON. J. BUCKLASCHUK: Read it out? Sure I will, because I have been watching where these losses have occurred. Let's take a look at some of these - 1985, a memo from me to the president asking: Tell me, what were the inception years and where were the losses?

Here we have something like \$8 million losses in the 1985 report directly attributable to treaties that were entered into between '78 and '81 - 65 percent of the losses, \$8 point-something million.

Don't give me the garbage that we have been responsible for the losses. We'll take our share of responsibility, but it's about time the Opposition assumed some of it's responsibility; but all they do is smile and try to deflect from the real issue.

Let's look at 1986. This was a memo to me in July of 1986; this was a 1985 report. We had something like \$14 million of claims that were incurred, \$8.5 million directly tied to treaties entered into between '78 and '81. Who was in government then? But it will be the frosty Sunday before the Opposition even dares to admit they made some mistakes. I have said we've made mistakes, but by golly, when you were in government, when you were Cabinet Ministers, you also made mistakes.

MR. G. FILMON: Is that the '85 report that covered up these losses that you're referring to?

HON. J. BUCKLASCHUK: I am talking to actual losses that were reported to say nothing of the IBNR that's in this year's report, which to a very, very large extent reflects losses that will be incurred as a result of treaties entered into under the Tory administration. Wouldn't it be wonderful if one of these days that you, that the Opposition admitted, that, yes, they are part of the problem. No one likes the problem, but we are certainly moving . . .

MR. G. FILMON: We didn't cover it up for two years.

HON. J. BUCKLASCHUK: The fact of the matter is that the corporation, the board of directors, I as a Minister, never knew the extent of the IBNR of the potential claims until October of 1986, when we had new management, when the study initiated by Mr. Dabo in 1984 was completed. And even to this day we don't know if that is accurate. We do know that they were the best figures that could be developed at that date.

The Provincial Auditor has reviewed them. He says they may be overstated, they may be understated, and we are taking steps to even get a better reading of what the potential claims are. We are hiring additional staff; we are dealing with the reinsurance issue. That's how this whole matter started.

Now we are into discussing a Cabinet planning document, and are you going to do this, or have you done that, are you going to do this? We are supposed to be here dealing with an '86 report, and we are all over the place because the members of the Opposition are extremely frustrated that they have not been able to obtain from all of the documentation provided to them - from the minutes, from the submissions, from the Provincial Auditor's Report - any confirmation that anything wrong was done.

Oh, yes, I realize it, that in 1984 a preference was indicated or a decision was made of an option that is not considered to be acceptable in the accounting world; I admitted that. I'm not so all knowledgeable that I would know that what is being presented to me by management is not acceptable. It's too bad I don't have the great intelligence that the members opposite had, who could sift out what was considered - when their senior staff presented something that was - this is legitimate, this is not legitimate. I naturally assume it was legitimate; I would be foolish to do otherwise.

But it is interesting that the Opposition has not been able to develop their case around the reinsurance issue. We have admitted that there are losses. But now they're into some planning document that seems to have captured the fancy of the Member for Pembina.

MR. D. ORCHARD: Mr. Chairman, just so the Minister doesn't get carried away with his own rhetoric and forgets the reality of what he perpetrated on the people of Manitoba in 1984 and again in 1985 - contradictory statements between him and his appointed chairman of the board, Mr. Sigurdson, and a statement on page 18 of the Provincial Auditor's Report, that as early as 1982 the information was available to have allowed management to determine that there were significant problems concerning the IBNR provision, which would affect the loss potential.

In 1982, I believe you were government then. I believe you were government and not us. I believe that in 1984 when you were a Minister, you had losses understated in the '84 report. You had them understated again in the '85 report. In this document, which you presumably were aware of the contents which went to your Cabinet colleagues, they were also understated here, according to your own admission.

Mr. Minister, that doesn't make you terribly competent as a Minister, to allow that kind of information to appear in two successive annual reports prior to an election, misleading the people of Manitoba in terms of the loss that they were faced with in the Reinsurance Division,

and even indeed to not have those kinds of losses present in a strategic planning document which is going to be used to plot the future of the corporation into other extracurricular activities.

Mr. Minister, not only were you not honest with the people of Manitoba, you may well not have been honest with your own Cabinet colleagues, and that's why we've asked your Premier to remove you of the responsibility of Cabinet because you're not capable to carry it on.

MR. CHAIRMAN: You have completed, Mr. Orchard?

MR. D. ORCHARD: Mr. Chairman, I, with regret, have to leave this committee for a mental health presentation.

MR. CHAIRMAN: I should point out for the record that the mental health bill is being debated in the committee opposite.

Before Mr. Filmon starts, I would like to try to get us back on track in regard to the 1986 report, to keep the questions as they relate to this report on items, although they may have occurred in years previous, how that would relate to the most recent report that we have or the report that the committee is referred to study today.

Mr. Filmon.

MR. G. FILMON: Mr. Chairman, I wonder, something that Mr. Silver said earlier piqued my curiosity.

He indicated that he was not aware of the 12.3 million undisclosed IBNR losses in the fall of '84 or early '85, and that's the time at which that planning document, the long-range strategic planning document was prepared for the ERIC committee. Is that what Mr. Silver did indicate, that he was not aware at that time when that document was prepared? It was about a year later.

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

HON. V. SCHROEDER: Mr. Chairman, we're back again to what Mr. Silver was involved with as Deputy Minister of Crown Investments. I object to that. I don't believe we have any right as a committee to deal with issues with respect to what he was doing then, No. 1.

No. 2, that has nothing to do with the 1986 report. I think we've been fishing long enough; let's get on with what we're called here to do.

MR. G. FILMON: Mr. Chairman, I know that the Member for Rossmere, the former Minister of Crown Investments, has a great deal to be concerned about, that information shouldn't come out from his former Deputy Minister, and I'm sure that he'd like to muzzle me, but that's fine.

Mr. Chairman, I would like to proceed since this topic was part of Mr. Silver's discussion and he did put that information, I believe, on the record. I just wanted to clarify it.

MR. CHAIRMAN: Well, Mr. Filmon, this morning we were into this to some extent as well and again earlier this evening before you rejoined the committee.

MR. G. FILMON: This was about one-half hour ago in discussion with Mr. Orchard, and that is I believe the

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indication that Mr. Silver gave. And I wonder if he would just clarify that for me.

MR. CHAIRMAN: Well, I don't believe, and I'm going to rule that it's inappropriate to ask Mr. Silver or anybody else in their current positions to . . .

MR. G. FILMON: Mr. Silver was then a member of the Board of MPIC, ex officio . . .

A MEMBER: Oh, ex officio.

MR. G. FILMON: As the Minister indicated, even though his picture is in the annual report, and it doesn't indicate that he's ex officio, and to my knowledge there's no O/C that appoints him to the board, he clearly - according to the Minister - was ex officio at that time and that's why this full coloured photograph of him appears in the annual report of 1984.

Therefore, I think that he is in a position to answer that question.

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

HON. V. SCHROEDER: Mr. Chairman, on the point of order.

I think that we have been most accommodating for a period of days, hour after hour after hour of questions that had nothing to do with the report we're dealing with.

Now I want a ruling on whether we're going to have questions on things other than the report. And I think that the proper authority of this committee is to deal with the report. I think now is the time to deal with it.

MR. CHAIRMAN: Mr. Filmon, on the same point of order.

MR. G. FILMON: Mr. Chairman, this committee was charged with the responsibility to deal with the annual report of MPIC. It was adjourned so that we could have the report of the Auditor into the entire reinsurance area that has to deal with '84, '85, '86, that whole area.

The area that I am dealing with, I can even quote verbiage about it if you want, reference it to the Auditor's Report. It is indeed valid and reasonable to talk about the \$12.3 million IBNR, undisclosed in the annual reports of 1984 and 1985. And I'm asking Mr. Silver, as a former board member, for some clarification on that.

HON. V. SCHROEDER: No, no. We don't have board members . . .

MR. CHAIRMAN: I think it may be appropriate for the Minister to respond to the questions. I do not believe it is appropriate to try and push other people, and in particular as the Minister has just . . .

MR. G. FILMON: He's also the Minister we know at the present time, Mr. Silver. He can certainly answer this question. And if we're now starting to prevent Mr. Silver from answering questions at the table, this is getting to the point of ridiculous.

A MEMBER: Who's being ridiculous?

MR. G. FILMON: You are.

MR. CHAIRMAN: When we're dealing with matters of policy, the Minister is ultimately responsible, in particular when you have in this instance a Minister who happens to be chairman of the board.

MR. G. FILMON: I'm not dealing with a matter of policy, I'm dealing with a matter of knowledge.

Mr. Silver has been anxious to answer many questions with respect to the reinsurance losses and the reporting and so on. He has in fact at times, as I indicated, corrected the Minister, saying no, that wasn't correct. The Minister was wrong when he said that the \$12.3 million IBNR provision was in the 1984 annual report. In fact, it was only \$2.25 million in there and so on.

Mr. Silver has been very able to look after himself. I would appreciate it if the Chairman didn't now - we don't have a great deal of time left. You're just about out of this, so you can allow Mr. Silver, surely, to answer that question.

MR. CHAIRMAN: Could you repeat the question for me, please?

MR. G. FILMON: Is Mr. Silver indicating that he did not have knowledge of the \$12.3 million IBNR loss provision that was undisclosed in the 1984-1985 annual report at the time that this strategic planning document was prepared?

MR. R. SILVER: As I indicated to this committee this morning, it is my understanding that I am here to answer matters of fact as they pertain to my current position. I am not here to answer matters which pertain to my responsibilities under my former position.

I think it is inappropriate as a public servant to speak on those matters.

MR. CHAIRMAN: That appropriateness is up to the committee to decide.

MR. G. FILMON: I'm just wondering - is Mr. Silver saying that in view of the fact he was a board member during all that period of time, that he believes it's still inappropriate for him to answer a question?

MR. CHAIRMAN: Mr. Minister, on a point of order.

HON. J. BUCKLASCHUK: Well, apparently, the Member for Tuxedo doesn't recall the committee meeting we had a few weeks ago. I made it very clear at that time that when it came to matters involving the board that, as a chairperson, I felt that I could respond to that. When it came to matters involving staff of the corporation and the operations of the corporation, the general manager and the present Mr. Silver was the appropriate person to speak on that.

If I don't have the answers as to board deliberations, I can obtain that information. If Mr. Silver doesn't have the answers at his fingertips as to some matter involving the operations of the corporation, he can obtain that from his staff or have his staff respond. But clearly, if the question that the Member for Tuxedo is asking is with respect to a board member's knowledge or

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involvement, that should be directed to the chairperson of the board.

MR. G. FILMON: I find this absolutely astounding, Mr. Chairman, because the Minister was not chairman of the board during the period of time that I'm speaking of. But the CEO was a member of the board during that period of time and the Minister is going to say that he can respond on behalf of the board, but the former member of the board and the present CEO can't, even though he was there. That's absolutely astonishing.

MR. CHAIRMAN: Mr. Kostyra, on the same point of order.

HON. E. KOSTYRA: On the point of order.

I think it's inappropriate for that kind of questioning to be put to somebody who was representing a department of the government at that corporation at that time. If there's a question to be put about government involvement with respect to that corporation or that department, it should be put to the Minister responsible for Crown Investments.

MR. CHAIRMAN: Mr. Ashton. Same point?

MR. S. ASHTON: Yes, Mr. Chairman, on the point of order.

I clearly heard you accept, before the statement on the point of order, that we were considering the annual report. I really feel that you should continue to rule the Leader of the Opposition out of order, not allow him to place on the record questions which I think are not only totally inappropriate in terms of the rules, but are totally unfair as well; because what he is doing is trying to distort the response of Mr. Silver in this particular case by placing statements on the record which, if they had been made towards a member of the Legislature, I would suggest would have to probably be withdrawn, in terms of imputing motive.

I would ask that we apply the same basic code of conduct we apply to ourselves to witnesses before this committee; and I would suggest therefore that the Leader of the Opposition get back on track and ask questions on the report and stop trying to put words in the mouth of Mr Silver or anybody else in this committee.

MR. G. FILMON: I'm not trying to put words in the mouth of Mr. Silver. I'm trying to get Mr. Silver to simply respond.- (Interjection)- I'm not trying to badger the witness - that's nonsense. The Member for Thompson can keep his remarks to himself; he doesn't know what he is talking about.

I'm just asking a simple question that Mr. Silver can answer. If he's not being muzzled by the Minister, he can answer the question very directly.

MR. CHAIRMAN: The question is not whether or not Mr. Silver is capable of answering a question. The question is, what is Mr. Silver's role before the committee today?

He is before the committee today as a general manager of Manitoba Public Insurance Corporation.

He is not before the committee today as a former ex officio member of the board representing the Department of Crown Investments some three or four years ago.

The committee has the power to be able to invite people to this committee for those sorts of purposes, to entertain additional information possibly. It is a very, very rare occasion when that is exercised by committees of the Legislature to invite people to attend for the purposes of being a witness before the committee.

I'm not, by any stretch of the imagination, recommending that, but that would be a decision that would be up to the committee, if they wanted to ask or to bring either a board member or other people who were involved in that situation at the time on those particular items. We are not here today to go back through the reports and, in particular, to ask a former board member questions in relationship to their conduct and their knowledge of items before the board at that time.

You have a Minister who is here, is a member of the board, is a chairman of the board, was reported to by previous boards and it is not because of a lack of information. The information that the Leader of the Opposition is seeking is available via the Minister.

It's by saying, and as I'm ruling, that Mr. Silver, it's not appropriate for him to respond to questions in relationship to his position as an ex officio member of the board several years ago. I do not believe it in any way limits the ability of this committee to gather information in regard to those decisions, either past or present.

MR. G. FILMON: Mr. Chairman, with the greatest of respect, we tried to have other members of the board and other senior officers brought here to answer questions . . .

MR. CHAIRMAN: And the committee decided not to.

MR. G. FILMON: The majority of the NDP members, all of them on the committee, voted that they not be allowed to come before this committee and that's a decision that was made.

MR. CHAIRMAN: And that's a decision of the committee that has been made.

MR. G. FILMON: At that time both this Minister and the Premier said Mr. Silver was here to answer questions, the Minister was here to answer questions, and between those two they could cover all of the areas that we wanted to have answered.

Earlier today, Mr. Silver was answering questions particularly about this subject. It's a subject that's the subject of this entire report of the Auditor into the Reinsurance Division of MPIC - it is the topic - \$12.3 million IBNR losses that were not shown in the '84 and '85 reports.

Mr. Silver was on the board and continued on the board all the way through that period and for that reason - I presume that being one of the major reasons - he was made CEO . . .

SOME HONOURABLE MEMBERS: Oh, oh!

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MR. G. FILMON: . . . because of his experience with the board and his knowledge of MPIC, among many other things. He is here to answer questions. We were given that assurance earlier by the Minister and by the Premier, that Mr. Silver was at this committee as CEO to answer questions within his knowledge.

MR. CHAIRMAN: No. Order please.

MR. G. FILMON: And he's going to say he doesn't know anything about this now . . .

MR. CHAIRMAN: No. Order, order please.

MR. G. FILMON: . . . because he was never there and he's been muzzled and we cannot have that happen.

MR. CHAIRMAN: Order please Mr. Filmon, come to order.

Mr. Filmon, Mr. Silver is here as a CEO. If you have questions in regard to the content of board minutes, they have been provided to you with all items in relationship to the IBNR and the reinsurance program. The Minister is here. Mr. Silver can certainly advise the Minister and reply via the Minister, but not directly to Mr. Silver. You can confine your questions via the Minister.

MR. G. FILMON: The point is Mr. Silver is here to answer questions on knowledge within his understanding, information as he had knowledge of.

It seems to me that absolutely he was there throughout this whole process and I would think it's very important to know whether or not Mr. Silver was fully aware of the 12.3 million IBNR losses at a time when he was Deputy Minister of Crown Investments, at a time when his Minister of Crown Investments, the Member for Rossmere, knew about those losses because that information had been shared with him by the Minister responsible for MPIC.

Was Mr. Silver a party to that? Was he aware of it when this report went to ERIC committee, that did not demonstrate those losses in the corporation at that time? They were undisclosed in the '84 report; they were undisclosed in the '85 report; and they are undisclosed in this report. Was Mr. Silver aware of it during that period of time and, if so, how in heaven's name could he have sat there and allowed that information to be put forward falsely to ERIC committee? That is an important issue.

MR. CHAIRMAN: That is a question that will be rectified in . . .

HON. L. EVANS: On a point of order, Mr. Chairman.

You have made it very clear - this is going on ad nauseum. It's getting to be childish.

MR. G. FILMON: Then leave if you don't like it.

HON. L. EVANS: It's getting to be childish and the Leader of the Opposition is acting very childishly.

MR. CHAIRMAN: Order.

HON. L. EVANS: I would say, Mr. Chairman, you have made a ruling and he keeps on arguing with you. Have

you made a ruling? Is he challenging your ruling? Do we want to vote on your ruling? You have made a ruling. How many more times does he fight with the Chair?

MR. CHAIRMAN: I have, and I will not . . .

HON. V. SCHROEDER: A point of order, Mr. Chairman.

MR. CHAIRMAN: Yes, Mr. Schroeder.

HON. V. SCHROEDER: On a point of order, Mr. Chairman, the witness is here as CEO. He is not here as an employee . . .

MR. CHAIRMAN: As I have ruled.

HON. V. SCHROEDER: . . . of Crown Investments, Mr. Chairman, and he is also not here answering through the Minister in charge of the Public Insurance Corporation as an employee of Crown Investments. If there are questions with respect to Crown Investments, they go through Crown Investments. It's very clear those are the rules of our Legislature, rules of our committee; those are rules that must be followed here.

MR. CHAIRMAN: As well - the point is well taken by Mr. Schroeder - I am asking the Ministers to respond.

HON. J. BUCKLASCHUK: I just wanted to remind the Member for Tuxedo who . . . - (inaudible)- raised a question as to whether he disbelieves the Provincial Auditor's Report. Clearly, on page 14 - and this was referenced previously by the co-leader of the party - 'We observed insufficient information regarding reinsurance was being reported to the board. Specifically, in 1984 there was substantial evidence that management was aware of significant unreported claims that the IBNR provision was significantly understated. This information was not provided to the board.'

That is a statement made by the Provincial Auditor. There is nothing that the Provincial Auditor reviewed that I'm aware of, or that's referred to in this document, in this report, that would indicate that the board had been made aware of the reinsurance losses until October of 1986.

From July of '84 there is no documentation, there are no minutes, and you've had access to all the minutes, you've had access to documentation. There is no reference to losses in the Reinsurance Branch until October of '86.

MR. G. FILMON: I accept that; but the reality is Mr. Silver was the Deputy Minister of the Member for Rossmere. That is the only other person in Cabinet, according to this Minister, who was made aware of the 12.3 million IBNR that was undisclosed in the 1984 annual report.

I would find it interesting to know whether or not his Deputy Minister was kept in the dark about this or whether that information was shared with his Deputy Minister who also sat on the board, who also was involved in ensuring that this document was considered by ERIC committee. It seems to me that that's a very interesting point to establish.

I have every confidence that the Auditor's statement about the board, to his understanding, is correct. I want to know about Mr. Silver.

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MR. CHAIRMAN: I have ruled that question out of order.

Mr. Filmon.

MR. G. FILMON: Mr. Chairman, this is an absolute sham. It's an absolute sham.- (Interjection)- No, seriously. We have gone through this process . . .

MR. CHAIRMAN: Are you challenging the rule?

MR. G. FILMON: I'm not going to. I'm addressing this report that we're being asked now to approve - both this annual report, the report of the Auditor, and so on, all as a package that has been put before this committee.

Mr. Chairman, firstly, the committee that this Minister has indicated has been given all this open information, this open access, was not allowed to have come before it any one of the senior executives of the corporation despite the fact that in the past we have had that happen, despite the fact, both with MPIC, certainly with the Telephone System, with Hydro, we have the top half-dozen officials regularly come before the committee and answer questions, but that avenue is cut off as a result of the actions of this Minister and the majority of the NDP on this committee. Now we're being told that we can't even have the CEO, Mr. Silver, answer certain questions before this committee.

MR. CHAIRMAN: No, we are not being told that, Mr. Filmon.

MR. G. FILMON: Yes, we are being told.

MR. CHAIRMAN: We are being told that Mr. Silver cannot be asked questions for issues that are beyond his role currently as a chief executive officer of MPIC.

MR. G. FILMON: Mr. Chairman, we're being told now that we can't ask Mr. Silver questions about his knowledge and his role. So that's what we're supposed to accept.

A MEMBER: You can't ask a question that's out of order. Poor Gary.

MR. G. FILMON: Well, Mr. Chairman, that's your opinion as to whether or not it's out of order.

MR. CHAIRMAN: Order please.

MR. G. FILMON: Anything that helps you cover up is out of order.

MR. CHAIRMAN: Committee members, please come to order.

MR. G. FILMON: So now we're being told that we can't ask certain questions of the CEO of the MPIC. Mr. Chairman . . .

MR. CHAIRMAN: You can ask . . .

MR. G. FILMON: . . . this Minister throughout the morning session . . .

MR. CHAIRMAN: Mr. Filmon, come to order, please.

Listen, when I interrupt a member - as Chair - you must stop. And I do not appreciate, when I try to intervene to bring order to the committee, a member continuing to speak. It does not facilitate the workings of the committee one little bit.

I have ruled, very clearly, you can ask the chief executive officer of the corporation anything you wish in relationship to this report. He is here. You couldn't say anything you wish. They must go through the Chair and to a witness who has been brought to the table alongside the Minister. We must ask questions in relationship to the things that they are now currently responsible for, not items from a position that the member may previously have had. It is thoroughly appropriate for you to ask questions in relation to the Minister of Crown Investments as to report on responsibilities in previous years in another forum, but not in this forum, not at this time.

MR. G. FILMON: Mr. Chairman, we are being told that we cannot ask questions of Mr. Silver about anything except the things that the Minister wants him to answer for.

MR. CHAIRMAN: No, that's not what I said.

You were told that you cannot ask questions of Mr. Silver prior to his assuming the position of chief executive officer of this corporation.

MR. G. FILMON: Now we're being told, Mr. Chairman, as we were earlier today, that we couldn't ask questions about previous annual reports, that we had to deal just with the 1986 annual report, and we can't ask questions about the current operations of the corporation. We can only ask questions about the 1986 annual report. Mr. Chairman, we're being cut off and narrowed down so that the committee can't get information. This is the so-called open committee.

And now, of course, the ultimate irony, Mr. Silver, who was supposed to be the most knowledgeable person about the corporation, isn't being allowed to talk by his Minister. Well, this is the ultimate irony, Mr. Chairman. This committee, this so-called most open evaluation of this report in the history of this committee, this committee can't ask questions, this committee can't have certain topics on the agenda despite the fact that this report of the Auditor goes back to the 1984 and the 1985 annual reports of the corporation. It's a sham, Mr. Chairman. It's an absolute sham and a cover-up by this Minister.

MR. CHAIRMAN: Mr. Filmon, you can ask questions regarding the 1986 report. You can ask questions in regard to this, but you cannot ask questions of a witness before the committee who is here for one purpose and ask him questions of another era. That's all I'm ruling. You can ask questions of the Minister of that if you so desire, and I'm sure that you will get a straightforward answer.

MR. G. FILMON: He'll give us the same kinds of answers he's given before, which then prove to be wrong.

MR. CHAIRMAN: Should we then pass the committee's report? Is it the wish of the committee to pass the report?

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Mr. Doer.

HON. G. DOER: Just a couple of points I'd like to raise in terms of considering the Auditor's Report.

I note, and perhaps the Auditor would like to comment on this, there was a major review of the Manitoba Public Insurance Corporation in 1979 by a group of management consultants under the direction of Michael Burns that reported to the Legislature and to the public of Manitoba. I haven't got my notes here. I didn't think I'd get an opportunity to ask questions, but I think I recall on page 165 of that report a number of other references that stated that in 1979 and 1980 the reinsurance was being handled on a "Conservative" basis and that there was not real bells that went off in that report vis-a-vis your report that states that from '75 to '84 it's been handled by, I guess both administrations, on an informal basis.

Would the Auditor care to comment on that? Is there anything that he would have noted in the original report versus his report?

MR. F. JACKSON: Mr. Chairman, we reviewed the Burns Report and there were several matters relating to reinsurance that were made there that are re-emphasized in the current report.

MR. CHAIRMAN: Is it the pleasure of the committee to pass the report?

Mr. Minister.

HON. J. BUCKLASCHUK: Perhaps, before we do, I would just like to make a few comments.

First of all, I find it somewhat disappointing, we have before us a 1986 report. The hue and cry the day the report was tabled had to do with reinsurance losses. We have now spent four committee meetings reviewing reinsurance and sundry; we've had the Provincial Auditor do a complete review of reinsurance; we've had a report provided to us; we have spent, I don't know how much time putting information together for the benefit of the Opposition, collecting minutes, collecting submissions; we have had senior staff sitting here through four meetings to deal with issues related to the 1986 report. Ask some questions about it.

MR. G. FILMON: You wouldn't let him talk. Why would you have him here?

HON. J. BUCKLASCHUK: Ask the questions. The general manager will provide you with that information. That is what staff is here for. (Interjection)- Mr. Chairman, this is what I'm getting at. Talk about a sham.

MR. CHAIRMAN: Order please.

HON. J. BUCKLASCHUK: The Opposition Party who is to be here in committee to review the 1986 annual report has done nothing more than muckrake and scurrilous allegations and cover-ups all over the place. Not a single thing were they able to prove, despite all the information provided.

MR. G. FILMON: Go ahead, John, what are you afraid of? Put them up at the table. Where are your guts?

MR. CHAIRMAN: Order please, order please.

HON. J. BUCKLASCHUK: Well, this will go down in history as the least effective Opposition review of an annual report of the Manitoba Public Insurance Corporation. I'm sure that Manitobans will well recall this experience.

MR. CHAIRMAN: Have you finished your comments? Has the Minister finished his comments?

MR. G. FILMON: Mr. Chairman, just so that the Minister knows. We know where he stands in this. We know about his honesty because it's contained on page 19 of the Auditor's Report, and I'll quote: "During the course of our interviews, we received conflicting statements regarding the Minister's input into the decisions made as to the IBNR provision to be recorded in 1984.

"During the course of our interview with a former chairperson of MPIC Board of Directors, he advised us of the following:" - that's Mr. Sigurdson, of course, in case the Minister is not aware of who they are referring to - "In late September, or early October 1984," prior to the preparation of the October 1984 document, he and the president met with the Minister and recommended that \$12.3 million be added to the assumed reinsurance IBNR provision. The Minister informed him and the president that it was not an appropriate time to record this. The Minister then requested options be developed as to how this matter could be handled."

Now, for the Minister's edification, of course, "Mr. Laufer, the president," - the other person referred to here - "has also confirmed that the Minister said that it was not appropriate. There was an election in the offing and he wanted options to be developed to help them hide from public attention the \$12.3 million IBNR provision."

Further, the Auditor says: "During the course of our interview with the Minister, he advised us of the following: He had no input into the October 1984 document and was not aware of the document and the potential claims until the document was presented to him." That is contrary to the testimony of both Mr. Laufer and Mr. Sigurdson.

"The chairperson and the president met with him on October 19, 1984 and presented him with the October 1984 document. The document disclosed the possibility of reinsurance claims, the shortfall in the assumed reinsurance IBNR provision, and options as to how this could be reported. The president personally went over the document with him. Believing that all options were viable, he selected" - that's the Minister - "Option No. 1, not to set up the \$12.3 million additional IBNR. He subsequently communicated with the then Minister of Crown Investments regarding the October 1984 document and its accounting ramification. There is no documentation to suggest that the chairperson, the president, or MPIC's management agreed or disagreed with the decision made by the Minister. But it was the Minister's decision not to show the IBNR \$12.3 million provision. That decision, we subsequently found out, was clearly not in accordance with generally accepted accounting principles."

Yet this Minister, when he was first confronted with this whole topic way back in March, said that he was not aware of the losses in October of 1984, and then he changed it two days later to say he was not aware of the magnitude of the losses. Then he said that he could prove that he had not been the one to request the options, except that to his horror three boxes of his files had been shredded. So, unfortunately, he was left in a position of not being able to disprove the testimony of two people, the president and the chairman of the corporation, who have clearly contradicted him.

So the Auditor went through and tried to review the diaries of the Minister, but unfortunately he couldn't find evidence to substantiate the Minister's position because, of course, the key documents had been shredded. This is the key issue in this whole report of the Auditor. This is the key issue that has been there throughout the whole piece, that this Minister who changed this story. And, if the Minister wants to go further, I'll read for him, on the record, how many different times he changed the story about these IBNR losses and whether or not they were there, and how he said at a briefing for media people that, in fact, they were actually in the 1984 annual report, that fraud which he tried to perpetrate again in the House just last week.

That was, of course, refuted by Mr. Silver. Mr. Silver, who said no, the Minister was wrong, that 12.3 million IBNR was not in the 1984 annual report; all that was in there was 2.25 million. How many times do we have to put on the record this Minister's misinformation, misleading of the public, before he quits trying to remake the story?

There's the old saying, you know, if you tell the truth, you don't have to remember what you said, and this Minister can't remember anything. He can't remember anything because, of course, he can't remember what he said the last time he was asked a question.

So that's the issue, Mr. Chairman, and this Minister doesn't need to try and change the story once more to make it sound right. It'll never sound right to the public.

HON. J. BUCKLASCHUK: Just one final comment, Mr. Chairperson.

It's rather interesting that the Leader of the Opposition bases his whole theory on the . . .

MR. G. FILMON: It's there in black and white.

HON. J. BUCKLASCHUK: Mr. Chairperson, I don't recall interrupting the Member for Tuxedo. I don't know why he wants to interrupt me, but I suppose he's just naturally rude.

Mr. Chairperson, it's rather interesting that this whole theory that the Leader of the Opposition develops is apparently based on some apparent contradiction between statements made between the former chairperson of the board and myself.

I have indicated that this happened three years ago and it may well be that our recollections are not the same. But interestingly enough, the Member for Tuxedo also says that the recollection of the chairperson of the board is the same as that of the general manager. However, on Exhibit 2, page 2, the Provincial Auditor clearly makes note that the former president of MPIC has not even met with them. So on what basis is the Leader of the Opposition . . .

A MEMBER: He's quoting extensively in the newspapers he had marked.

HON. J. BUCKLASCHUK: Oh, we are now on to newspaper reports. This same general manager who was dismissed for a cause a year ago on the basis of a Provincial Auditor's Report of possible nepotism . . . - (Interjection)- Yes, a number of other reasons.- (Interjection)- If that is the evidence that the Member for Tuxedo wishes to choose, I will rest my case. I have nothing further to say.

MR. CHAIRMAN: Report—pass.
Committee rise.

A MEMBER: No way.

MR. CHAIRMAN: The report is passed, on division.
All in favour, say aye; opposed, nay. No one is opposed?
Report—pass.
Committee rise.

COMMITTEE ROSE AT: 9:45 p.m.