

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

Chairperson
Mr. Bidhu Jha
Constituency of Radisson

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MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

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**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS**

Monday, October 21, 2013

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bidhu Jha (Radisson)

**VICE-CHAIRPERSON – Mr. Ted Marcelino
(Tyndall Park)**

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Swan

*Messrs. Caldwell, Dewar, Eichler, Ewasko,
Helwer, Jha, Maloway, Marcelino, Smook,
Wiebe*

APPEARING:

*Ms. Marilyn McLaren, President and Chief
Executive Officer, Manitoba Public Insurance
Corporation*

*Mr. Jake Janzen, Chairperson of the Board,
Manitoba Public Insurance Corporation*

MATTERS UNDER CONSIDERATION:

*Annual Report of the Manitoba Public Insurance
Corporation for the fiscal year ending
February 28, 2010*

*Annual Report of the Manitoba Public Insurance
Corporation for the fiscal year ending
February 28, 2011*

*Annual Report of the Manitoba Public Insurance
Corporation for the fiscal year ending
February 29, 2012*

*Annual Report of the Manitoba Public Insurance
Corporation for the fiscal year ending
February 28, 2013*

*Audited Financial Statement of the Manitoba
Public Insurance Corporation for the fiscal year
ending February 28, 2013*

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

The first item on the business is the election of a Vice-Chairperson. Is there any nomination?

Mr. Gregory Dewar (Selkirk): I nominate Mr. Marcelino.

Mr. Chairperson: Mr. Marcelino has been nominated. Are there any other nominations?

Hearing no other nominations, Mr. Marcelino is elected Vice-Chairperson.

The meeting has been called to consider the following reports: Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2010; Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2011; Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 29th, 2012; Audited Financial Statement of the—sorry, I missed one—Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2013; and Audited Financial Statement of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2013.

Are there any suggestions from the committee as to how long we should be sitting? Yes, kindly go ahead—[interjection] Oh, Mr.—I'm sorry, Mr. Helwer.

Mr. Reg Helwer (Brandon West): I suggest we sit 'til 8 o'clock and revisit if the—see if the committee has any further questions.

Mr. Chairperson: Eight o'clock has been suggested. Is that agreed? [Agreed]

Are there any suggestions how we conduct the order of the reports?

Mr. Helwer: I suggest we revisit the reports globally.

Mr. Chairperson: Is that agreed? [Agreed]

Does the honourable minister has any opening statement, and would you kindly introduce the officials?

Hon. Andrew Swan (Minister charged with the administration of The Manitoba Public Insurance Corporation Act): Thank you, Mr. Chairperson, members of the committee. As Minister responsible for Manitoba Public Insurance, I'm pleased to present for your approval today the annual reports of Manitoba Public Insurance for the fiscal years ended in February 2010, '11, '12 and '13, and the Audited Financial Statement for the fiscal year ended February 2013.

Joining me today are several members of the corporation's board and executive, including the chairperson, Jake Janzen; president and chief executive officer, Marilyn McLaren; vice-president, finance, and chief financial officer, Heather Reichert; vice-president, strategy and innovation, chief information officer, Dan Guimond; general counsel and corporate secretary Kathy Kalinowsky; vice-president, community and corporate relations, MaryAnn Kempe; and vice-president, service operations, Christine Martin.

I thank you for the opportunity to provide some general and brief comments relating to these reports and the operations of Manitoba Public Insurance. I'm very proud to state this Crown corporation continues to provide efficient customer service and affordable auto insurance for Manitobans. This was confirmed most recently after Deloitte conducted a study which stated that Manitoba Public Insurance provides among the lowest auto insurance rates in all Canadian cities and provinces, and this once again reinforces the public automobile insurance model, which was implemented in Manitoba back in 1971, is highly efficient while also providing gold standard service to its customers. Our auto insurance rates are consistently among the lowest and most stable in all of Canada. For two decades, the cost of auto insurance for Manitobans has grown as a consistently lower rate than the national average, ensuring premiums remain reliable and affordable. The actual cost of auto insurance in constant dollars has actually decreased and decreased substantially over the last 15 years. While other Canadian jurisdictions have experienced double-digit auto insurance increases and clawbacks in benefits, MPI has maintained rate stability and enhanced benefits. Historically, for 14 of the last 15 years the corporation has either held the line or reduced rates which overall has resulted in a cumulative total rate decrease of 17.8 per cent for MPI customers.

Unfortunately, we haven't yet decided how we can control the weather which plays a very large role

in contributing to collisions. A moderate increase in claims experienced this past year combined with lower than expected investment income has resulted in a proposed slight increase in Autopac rates for the 2014-15 insurance year. The end result will be a 1.8 per cent increase for the 2014-15 insurance year if approved by the Public Utilities Board. Obviously, we'd prefer to continue to hold the line on MPI rates, but it is important to put some perspective on this increase. It is modest; it'll result in nearly 70 per cent of all vehicles in Manitoba having their rates either going up or down by \$20 or less for the year.

MPI prides itself in serving Manitobans. Recognizing the needs and expectations of Manitobans are constantly evolving, MPI continually strives for continuous improvement to build customer satisfaction. Contrary to recently published results from an independent research company outside of Manitoba, MPI performs very well in terms of customer service. Prairie Research Associates, a highly regarded local Manitoba research firm, regularly conducts surveys with Manitobans regarding the service provided by MPI. Research shows that MPI customers continue to hold extremely positive views about the service they receive. In fact, 98 per cent of those who visited a service centre for testing services were satisfied with the service, while 86 per cent who visited a service or claims centre for a physical-damage claim said they were satisfied.

Unlike private auto insurance, auto insurers who were focused on returning dividends to their stockholders, and many times in far-away jurisdictions, MPI is committed to giving back to Manitobans. For every dollar that MPI collects in premiums it has in recent years returned 80 or 90 cents on the dollar in benefits. In the last year, MPI actually returned \$1.04 in claims benefits for every dollar of premiums paid by Manitobans. The national average for private auto insurance companies is approximately 75 cents on the dollar.

MPI continues to be an involved corporate citizen in our province and is a road safety leader in our province maintaining and fostering strong working partnerships with police agencies throughout our province. MPI continues to work closely with other groups who've a vested interest in road safety, such as seniors, cycling groups and schools. I—just last Friday I attended an event at H.S. Paul elementary school in the Louis Riel School Division. School bus safety was the theme leading into School Bus Safety Week, which actually began today. MPI

is committed to raising road safety awareness and educating motorists as we strive to make our roadways safer and reduce collisions and injuries. MPI's commitment to road safety is both socially responsible to reduce injuries and claims on our roads and highways. It's also a wise investment by helping to keep our premiums low.

Further to this, with road safety in mind, the corporation's successful Friends for Life speaker series which touches on various subjects—drinking and driving, speeding, texting and driving—continues to grow. Beginning next month more than 50 schools and tens of thousands of students will be visited by special guest speakers arranged for by MPI.

Manitobans believe in MPI. A recent survey indicates that more than seven in 10 Manitobans support the corporation. Eight in 10 Manitobans say they have good experiences dealing with MPI. Manitobans have a good impression of MPI's coverage for vehicle damage and a large majority say that Autopac provides good coverage. Manitobans also tell us that if they could choose their coverage, they would actually prefer the most complete coverage over the lowest price. Having said that, MPI's rates remain among the lowest in Canada while still providing the most comprehensive coverage.

So Marilyn McLaren, president and CEO of MPI, Jake Janzen, chair of the board, and I are now ready for questions that members of the committee may have. Thank you.

* (18:10)

Mr. Chairperson: Thank you, honourable minister.

Does the critic of the official opposition have an opening statement?

Mr. Helwer: While I listened intently to the minister's statement, and he did say that this is the first rate increase in, in his perception, a long time, but to most Manitobans the government instituted a rate increase last year with a new registration fee increase, and to the—to most Manitobans, they don't differentiate, when they pay MPI for a vehicle registration fee increase, that it is going to the government. They understand that it's—the cost of their Autopac is going up as they see it. So, indeed, to most Manitobans, I think, they feel that this is the second year in the row there's been an increase in their vehicle costs, and, certainly, that's how we feel the public perceives it.

And there's also another study out there. I believe it was an organization, J.D. Power and Associates, that did a review of several organizations like Manitoba Public Insurance, and the review was not nearly so glowing as the review the minister spoke of. But, at that time, it seemed to be discounted by the minister as this organization that maybe was not in the know about really—what really happened at MPI, but in conflict to that, I would suggest that J.D. Power and Associates is a well-respected market research organization with many, many years.

So I think we have many questions to ask this evening, and at that, I think I'll end my comments tonight.

Mr. Chairperson: We thank the member.

Now, do the representatives from Manitoba Public Insurance Corporation wish to make an opening statement?

Ms. Marilyn McLaren (President and Chief Executive Officer, Manitoba Public Insurance Corporation): No, thank you.

Mr. Chairperson: Okay. Now, the—thank you very much.

The floor is open for questions now.

Mr. Helwer: Well, there was an announcement recently from Ms. McLaren about her tenure with the corporation. Perhaps she could put on the record her retirement date and some of the plans on how she came to decide that that was going to be the date of her retirement. I know at one time we thought she was going to be here for another five years or so and that's not to be the case, but perhaps she could tell us some of those things.

Ms. McLaren: No, if I had intended to say an additional five years from now, that would have put me at age 65, and I actually did not think I would work past 60, which I did by a bit, but I certainly never intended to work 'til 65.

So how did I come on the specific date? Well, being administrator for quite a long period of time, I actually chose a payday to make it easy for the payroll people. So the 21st is a Friday, that—of February 2014; that is—I'm intending that to be my last day on the job. And it's a good time. The corporation is as strong as it's ever been. I have an amazing executive team that will do just fine without me there. I have a lot of confidence in the board and all the staff at MPI, and the time is right for me.

Mr. Helwer: Well, a question, then, to Mr. Janzen. There will obviously be an executive search, I would imagine, to replace Ms. McLaren. Can you perhaps tell us how that will occur?

Mr. Jake Janzen (Chairperson of the Board, Manitoba Public Insurance Corporation): Yes, the board has identified a search committee, a subcommittee of the board, and that subcommittee has issued an RFP to executive search teams. The successful proposal, if there is one, would be engaged to provide assistance to the board in the selection of a new CEO.

Mr. Helwer: So there are two entities that are bidding for this process? Is that what I take from that answer?

Mr. Janzen: No, an RFP was issued to a number of executive search firms.

Mr. Helwer: And at what point will you decide on which search firm?

Mr. Janzen: I would expect that decision to be made some time prior to about the middle of November.

Mr. Helwer: So do you expect that—or hope that you will have a replacement for Ms. McLaren on her—before her date of retirement?

Mr. Janzen: That would be our hope and expectation, yes.

Mr. Helwer: And I would imagine the board will set the guidelines for this search committee. Is it to be internal or external or a combination of both or start internally and go externally? Can you give us some of those ideas?

Mr. Janzen: I believe those questions would be the subject of discussion with the search firm once a search firm is engaged.

Mr. Helwer: Is it the intent of the board to keep it to an internal search or to look externally?

Mr. Janzen: The board is very, very confident that there are very capable people at MPI right now who would be more than capable of assuming the duties of CEO from Ms. McLaren. That said, the board may also conclude that it has a responsibility to engage in a wider search than just internally.

Mr. Helwer: And how will the board decide if it is going to be an internal or an external search?

Mr. Janzen: I—well, the board is going to weigh the relevant considerations, it will engage in discussion with a search firm that is ultimately contracted and it

will then make a move—a decision on how to proceed.

Mr. Helwer: Will the board look at the internal candidates and then decide whether or not to go external, or is it all one decision?

Mr. Janzen: I don't believe that that—that the—a decision on—as to that specific question has been made at the present time.

Mr. Helwer: Do you expect that that is a question that will come to the board?

Mr. Janzen: Which question?

Mr. Helwer: Whether the board will look at internal candidates and if they, at that time, decide that they will need to go to an external search.

Mr. Janzen: Is your question whether that question is a question which will come to the board?

Mr. Helwer: Yes.

Mr. Janzen: Yes.

Mr. Helwer: To the minister, is there any direction from the minister in how they would go about this search?

Mr. Swan: No, the board is going to go ahead as Mr. Janzen has suggested, and the board, of course, has issued the—are—the request for proposals and they will make their decision in the best interests of the corporation.

Mr. Helwer: Well, back to Ms. McLaren then, and on a slightly different topic, then. September long weekend, the systems were down for upgrading. It started on the Friday, I believe, or perhaps even a Thursday night, and the plan was to be up and running again on the Tuesday morning. And busy time for brokers that weekend, lots of students moving in and out, families returning from holiday, that type of thing. And the brokers were left with public—or private paper transactions with not adequate access to people who would advise them from MPI. Since then, I'm told the system has been up and down several days, including today.

Would you care to comment on the reliability of the computer system?

Ms. McLaren: Definitely, yes. In early August we started to discuss whether or not we would be in a position to, for all intents and purposes, complete the most complex and intensive part of the migration of the management of our systems over that September long weekend. It was dependent on a number of

smaller migrations that were under way, and it was not until about—on or about August 15th were we in position to make that decision. Once we were making that decision, we informed all of our business partners as soon as we had the information and made the decision; they were the next to know.

*(18:20)

So it was—with our systems shut down, I believe it was normal time, Thursday evening, and the work began and we were back up and running on Tuesday morning. There was some dis—slight disruption of service over the next little while, but over the—for the most part, over the first 45 days of having our systems migrated to the IBM facilities, we were running at a 98 per cent availability rate. Not only were the systems down today for some of the systems for a good part of the day—and not all of the systems today, but we had a major outage on Thursday as well and both of those have caused great concern at both IBM and MPI. We have almost—I think, they actually use this language at IBM—a SWAT team working on this trying to figure out exactly what happened, how to prevent it in the future. We are confident that they will be able to do that. We are confident we will quickly return to a 98 per cent availability and higher, because even at 98 per cent that is a number of hours in that 2 per cent remaining.

So, overall, the transition has gone more quickly. We thought we would be doing the work that we did on that September long weekend, we thought we would be doing it on the October long weekend. So it's been very helpful that it was done earlier. We have had an extended period to really refine and tune and stabilize the system. It's not been without its issues, but for the most part since the September long weekend we've been very satisfied with how it has evolved and transpired, and we have every expectation that the issues we had both Thursday and again today are—will, by far, in very short time be the exception and not the norm.

Mr. Helwer: Well, we did have some discussions in the past about redundancy, and Ms. McLaren is on the record as saying that it was necessary to have two data centres within, I think, somewhere around 80 to a hundred kilometres apart for that redundancy and, obviously, that doesn't seem to be the case here. If the computer system is going down, why was the mirrored data centre not able to pick it up and run with it?

Ms. McLaren: Well, what happened Thursday is that due to either an error in the architecture of those data centres themselves or some other failure of how the entire systems were constructed, when something failed at the first site and it tried to move over to the next one, that failover process is what failed. And, in fact, there's more than those two levels of redundancy; there's a third level and that failed as well. So that was an architecture, a design issue as far as we know, if not a hardware problem, and that's what IBM has been working with us to make sure—I mean, this is—they are the vendor, and this is not something that we, our staff, are dealing with right now. But we are working with them very closely, and it's their job to absolutely understand what happened, figure out how to prevent it from happening yet again so that we can—there have been other times since September when exactly that happened. There was a failure of a drive or a server and it failed over properly and it was completely transparent to the users. But that did not happen Thursday or today, and that's what we're working on to find out.

Mr. Helwer: Was the redundancy in the failure system, was that system tested prior to going to live? Would you have not gone through a process of causing the first server to fail to see if the second one picked it up, and same thing to the second server to fail, to see if the third one picked it up prior to going live?

Ms. McLaren: I think it's important for everyone to understand that we have close to 400 servers and it is simply not possible to do that kind of testing in all of—in all the possible permutations of use. But you can clearly see that we had 45 days of 98 per cent availability. So absolutely we did that kind of testing. We had staff in on that September long weekend for many hours coming to do their own Autopac renewals, their own address changes to help us test the system, and that's why we were up and running on the Tuesday. So something else happened in a way that was not designed and, therefore, not anticipated. You cannot have completely 100 per cent fail-proof systems in this regard. So the fact that we've had 90 per cent availability for the first 45 days is a good indication that due diligence was certainly done. You cannot predict and prevent for every possible outcome.

Mr. Helwer: Are there any financial penalties in the contract with IBM discussing this type of an occurrence?

Ms. McLaren: Sure. In an operational sense, absolutely there would be, and over a period of time. But we are fully agreed and communicating that this is a stabilization period. So, as you go through about a two-month period of having made a major migration like that, you're not in a position to be penalizing and invoking contractual provisions that would be in a normal status quo environment over the next several years.

Mr. Helwer: What would some of the penalties be?

Ms. McLaren: There are standards of performance. There are performance guarantees in the contract, and I can't speak to actual dollars-related particular incidents at this time, but there are obligations of performance and financial consequences of not living up to those. We also have opportunities to decide to manage the relationship differently, but, as I say, we are right now in a—it's like a prolonged shakedown period. You are still working through processes that will ultimately give you the environment that you—than you can expect to have over the long term.

Mr. Helwer: Were there details in the contract as to the length of the expected shakedown period?

Ms. McLaren: I believe we expect that to continue 'til about the end of November.

Mr. Helwer: So the end of November is the written agreed-to shakedown period, if we want to call it that, or the period where no penalties will be imposed, and then after November penalties may be imposed. Or is this something that's a little different?

Ms. McLaren: No, you remember a few moments ago I said that the contract for the migration of the systems themselves and the data was—initially called for a schedule that had us making that move in October. So that's what the contract would talk about. But the contract also has provisions to use our and IBM's best judgment to revise that, as necessary, in ways that make sense to the project. That's why we were able to do it in September. So exactly what the contract says specifically related to that, no, it would not say November specifically.

Mr. Helwer: So, if you or MPI and IBM agreed to start the migration early, does that mean that the shakedown period—I—there's probably a better term for it—or the testing period will move ahead, or is it still—was the end of November supposed to be the end of that period?

Ms. McLaren: From MPI's perspective, one of the major advantages of moving the migration ahead to September is to have an extended shakedown period, because it's very important to us to have significant stability in our environment. We have a number of business changes that we need to start making to our systems, and those are scheduled to begin late in November and into December. So we will not do that until we are confident that the shakedown period truly has ended. And if you think back, that would have given us about a three-week—more than that, I guess—but we've got a full two-month, even closer to three-month period right now that we're working with. But, if it had been the October Thanksgiving weekend, it would have been half of that. So having this extended period, making sure that we can say to IBM, you need to think about from a sort of a contract management perspective, we have changed nothing here at MPI. The environment that you're working in is what has to—obviously is the subject of concern with respect to these problems that we've been having. It's not because we've changed our systems, because we haven't. So that's one of the values that we provide.

As we move forward, we're out of that period. The contract itself calls for monthly penalties for failure to meet the service level—monthly financial penalties for failure to meet the service level agreement. But we would—it's in our best interest not to move into that until we truly believe that it is exactly as stable as it needs to be so that we can begin to make business changes knowing that that in itself will be easily identified all the way through to the operating systems.

Mr. Helwer: So is it an agreement between MPI and IBM that the system is stable? Is that when you move into the next stage, or is it a decision of IBM?

Ms. McLaren: Oh, no, that—absolutely, MPI would be involved in that decision. That's not their call.

* (18:30)

Mr. Helwer: And what are the goals and the statistics that you would be looking for to agree that the system is stable?

Ms. McLaren: There's a number of them. The ones that I've been paying the most attention to myself are a tracking of the number of severity level 1 and severity level 2 issues to be solved; that is language that we've agreed with IBM. So that's something that I actually get information about myself.

We also have the opportunity and the means to sort of track the number of transactions done in a system that is so important to us, like IWS that brokers use, and compare that. You know, how many—what is that graph of transactions processed to serve Manitobans? What does that look like compared to August of 2012? What does it look like compared to July of 2013? So we have a sense as to whether they have been unable to do as much work, whether they're doing more work.

So those are the two measures that I'm aware of and actually are participating in tracking.

Mr. Helwer: The system challenges or problems, has this created any problems for ratepayers in the sense that their insurance coverage may not be the type of coverage that they need, or is it something different?

Ms. McLaren: It absolutely should not, and if it ever did, we would certainly back up the ratepayer in that regard. Brokers who do work on behalf of Manitoba Public Insurance have to be certified to do that work through training provided both through the Insurance Brokers Association and ourselves; part of that is training on how to complete transactions when the system's not available. There's absolutely no reason for someone's coverage to be jeopardized because our systems were not available.

Mr. Helwer: Going to the paper system during the September long weekend and while the system is down certainly has an opportunity for more errors through not being able to read the writing or not taking the information down correctly. Will that—will MPI make sure that the coverage that is necessary for the individual ratepayers through the paper system as it's transferred to the computer system is correct?

Ms. McLaren: We cannot determine if what the broker inputs into the system from the broker's paper is what the customer intended; we have no way to know that. If something happens down the road and the customer can make a case to us that, you know, they didn't have the coverage they thought because there was, you know, the paper transaction at the front end of it, we'll deal with that. We absolutely make a point of dealing with things like that.

But what we can tell you is if what the broker tries to put in the system does not pass our system edits once the system's back up, that we can catch, that we will work out with the broker and we'll find a way to solve it.

Mr. Helwer: I would imagine that there is a financial cost to MPI in the regard that people come in and the system is down so they go through the process with a broker on what their type of coverage would be and the broker says, well, yes, I think it is going to cost \$1,200, but I can't tell you that without the system being up. Can you tell me what type of shortfall you might see in terms of that type of environment where, when the system comes up, you actually found that you then have to bill the individual \$1,300, so you're out some time value of money there?

Ms. McLaren: Well, we would bill them for the extra hundred dollars and they would have a month or so to pay us. I—the number of transactions where that would be a factor would be so low as to not only not meet any accounting standard of materiality but not have any impact at all on our operations. If we actually had to forgo the revenue and we had, you know, significant, pervasive, repeated downtime events, that might start to be a problem, but we don't in fact forgo the revenue, and most people do not pay up front immediately. Most people are either taking monthly payments or quarterly payments, and that's all sort of built into our processes and it's not a financial problem for us at all.

Mr. Helwer: During the time in the September long weekend where the systems were down, broker services administrators for the broker inquiry support were also not available to the brokers. Can you tell me why those people were not available during the system downtime?

Ms. McLaren: They had no more help to provide. They had no more information available than did the brokers. Our systems were all down, as were the brokers' systems. The documentation that we would have with respect to how to complete downtime transactions, every broker has that. Every broker's office has that. We had nothing to offer because our systems were down as well. We consulted with the broker organization's leadership with respect to that, and if they had felt that there was some value that our staff could have provided, that we would have been there in more numbers, we would have done it.

Mr. Helwer: So I assume that the individuals that do this work on the computer and check the computer and promote—provide this support to the brokers have a knowledge of the system as well, that this is not just on the computer and that, yes, they sometimes do have to look things up on the computer. But surely they would have been able to provide some

verbal support to the brokers, as well, without access to the computer.

Ms. McLaren: Given the relationship, the long-standing relationship that we have with the brokers of Manitoba, that support, that nay—the nay—that kind of support is to come from the brokers' offices themselves. Every broker who does work for Manitoba Public Insurance has a key Autopac person in their office. They are responsible for making sure that the staff are certified. They have responsibility for making sure that they had everything of—available to them that they needed. That kind of support in the model that we have jointly developed with IBAM and brokers in general, calls for that support to come from individual offices. There really truly is not anything else that we could have provided to them. I mean, you know, yes, our staff can explain some of the principles of basic Autopac and—but so, too, are these key Autopac persons, and that is where that support should have come from that weekend.

We had no complaints from any member of the public that they could not get the service they needed that weekend, not one. And in terms of brokers needing—realizing later that they needed us and we weren't there, we've not heard that from IBAM either.

Mr. Helwer: I'm interested in the number of outages. Obviously there's a number of days since the system switched over that it was down, and a number of hours during those days. Can you provide me with that information?

Ms. McLaren: What I can tell you is that, since Thursday, we were running at 98 per cent availability. The standard, once we are out of this shakedown period, is 99.9 per cent. So that is the standard that we're working towards with IBM. We were at 98 per cent. Now, I would have to do the math for you to figure out what it was since we were out all day Thursday and a good part of today but working on Friday and Saturday, but I don't know that that would help us much at this point. But we have been operating at 98 per cent, which is 1.9 per cent shy of the standard.

Mr. Helwer: But that 98 per cent also includes time when you are not open and brokers are not open, is that not correct?

Ms. McLaren: No, absolutely not. Ninety-eight per cent of the scheduled hours—were you available for

99.9 per cent of the scheduled hours? No, we were only available for 98 per cent of the scheduled hours.

Mr. Helwer: So at this point you can't tell me how many days you've been down since the changeover.

Ms. McLaren: No, I don't think it—there have not been very many full outages until Thursday. There really haven't. I don't believe there was one—there may have been one other day, but no more than that. There were some partial days, and what is more frustrating—I understand this, we understand this deeply from our own staff, and many of us worrying about this today used to do this kind of work. It's up and it's down, it's up and it's down. We've had some of that, for sure. But you can't have had a lot of that to hit the 98 per cent, so I think counting Thursday and today, we're probably three full days that we've been out of commission for brokers since the September long weekend. Other days, there's been a little bit of up and down. Sometimes they've been up, but the performance hasn't been great. But overall, all in, 98 per cent.

* (18:40)

Mr. Helwer: Is there any information that has been lost as the system crashed and had to be re-entered?

Ms. McLaren: No, none.

Mr. Helwer: So the backup process is working well, but the operative—operating system is not. Is that—how would you characterize it?

Ms. McLaren: I can go back to talk again about Thursday. What happened was the failover process. The actual storage of the data, in all cases, once it hits, it hits safely and it's there. Part of the reason that it took all the rest of the day to come back up on Thursday is because they do significant integrity checking and integrity testing before they bring everything back online just to make sure of things like that.

So related to the system's ability to keep functioning when one piece fails, that's where we've had a little bit of difficulty, but that does not in any way include the data itself.

Mr. Helwer: Are—were any of the system outages regional in nature or were they all universal, all brokers were down?

Ms. McLaren: Back at the beginning, we had some cases where brokers who were using the system who were able to continue to use the system. If someone tried to sign on later in the day, maybe someone just

came in and started their shift at noon, they wouldn't be able to get in. So it was not regional in nature, but it—your ability to use the system depended on whether you were in the system and using it at certain points in time. So as long as you were in—there were a couple of times when people can continue using it but new users couldn't connect.

Mr. Helwer: So was it a problem with authorized users or just that the system could not recognize these users?

Ms. McLaren: No, it wasn't a system—it wasn't a problem of authorization. It was a problem of getting new people in, getting new users into the system.

Mr. Helwer: So I'll move on, then, to the Public Utilities Board, and you've been there recently, obviously. Salary increases have been set, I believe, in terms of where you want to go. And in the current salary year, are we at a zero for salary increases at MPI?

Ms. McLaren: Yes. We have a contract with the MGEU that began September 2012. It was a four-year contract, the first two years of which—this is now the second—were zeros.

Mr. Helwer: Have you changed the system that looks after payroll as well in this process?

Ms. McLaren: In the process related to the contract with MGEU?

Mr. Helwer: I guess—sorry, I'm going back to the process with IBM. I know that is your broker system, and it seems to be there's been other changes. So has the salary or the human resources compensation system, the payroll system, changed in that time as well?

Ms. McLaren: Earlier this year, in June, we implemented a new human resource management system which included bringing payroll in-house and introducing a new payroll system. That happened in June of this year.

Mr. Helwer: Was that—so this is a new system. Was that system tendered?

Ms. McLaren: This was an additional package that we purchased from the same company that currently provides all of our financial reporting systems. It's a Lawson system.

Mr. Helwer: But this is a new payroll system or a new module?

Ms. McLaren: No. The human resource management system, including the payroll system, is a new module of the Lawson system which we've had at MPI for well over a decade to handle all of our financial reporting. Now it handles human resource functions, adding new employees, terminating, so on and so forth, as well as a payroll function.

Mr. Helwer: And how was the payroll handled prior to this system?

Ms. McLaren: It was handled through a payroll service provider.

Mr. Helwer: I'm sure that the—Ms. McLaren is familiar with payroll systems, and generally they are 26 pay periods, I believe, for the year, or—but the actual calculation of a salary is slightly different. It's based on, I believe, 26.157. That's how usual payroll systems work. They move into the next payroll period there and move along. Does the current system accommodate that type of a role or is it only based on 26 pay periods?

Ms. McLaren: I honestly can't tell you. I vaguely remember discussions about 26.1 and 26 pay periods through the development of this new Lawson module, but that's something we would have to take under advisement and get back to you on.

Mr. Helwer: So would it surprise you, then, that I'm told that this new system runs on a 26-pay-period system?

Ms. McLaren: No, that wouldn't surprise me. It seems to make perfect sense to me. I remember being surprised, I guess, and thinking about it, that we used to have a 26.1. But, yes, the new system operates on 26 pay periods.

Mr. Helwer: So then how do you have a zero per cent salary increase if you're now taking a salary of, let's say, \$50,000 over 26 pay periods instead of 26.157 pay periods?

Ms. McLaren: In both cases you would be calculating an annual salary. In both cases the annual amount would be different. The amounts payable on the 26 versus the 26.1 would be what would change.

Mr. Helwer: Yes, but you're going on a 26.157 system and moving to a 26. I would assume, from what you've done here, you've taken that \$50,000 and you've divided it by 26 as opposed to 26.157, and while it may sound like a very small amount to that particular individual, over the size of

an entity such as MPI that is a substantial difference in that next period.

Ms. McLaren: That may be true, but I don't know that that somehow means that we have not had a zero per cent increase for our staff in the contract. If you want an accountant answer, we will certainly provide that to you off-line from these proceedings.

Mr. Helwer: For it to be a zero per cent pay increase, that would mean that for that 0.157 that was in the old system, they don't get paid. They only get paid on the 26 pay periods, and from what you've described of your system there would have to be some accommodation made in it to have that allowance.

Ms. McLaren: Well, we certainly had no intention and no opportunity to pay people less, right? So however this worked out, we would be making sure that our commitment to them in terms of their annual salary was met. Payroll administration notwithstanding, our commitment to what someone's annual salary is would have to be met. So, if you want me to provide documentation, I'll do that off-line. I don't have a better answer for you at this point.

Mr. Helwer: Well, I would like the insurance, off-line if that's necessary and perhaps a little quicker than—that occurred last time, as we just received it a few weeks ago from the last committee—that, indeed, there was a zero per cent increase as agreed to with the MGEU and that you spoke of in the Public Utilities Board.

Ms. McLaren: We will do that.

Mr. Helwer: We talked a bit about public opinion surveys that you do with customers and that are done with customers, I guess, or by people that are—not been hired by MPI, such as the powers—J.D. Power. Do you do internal surveys of staff?

Ms. McLaren: We have now and again. We've not done anything recent, but we've done maybe three fairly comprehensive surveys over the last 15 to 20 years.

* (18:50)

Mr. Helwer: And what types of information would you survey staff for?

Ms. McLaren: Standard employee opinion surveys, employee satisfaction surveys, employee engagement surveys—those are the things that the people in this line of work call them. You gauge the

extent to which they feel supported in doing the work that they're asked to do. How, you know, does the training meet their needs? Does the equipment meet their needs? Is the supervisor a resource to them? Do they understand the goals and objectives of the corporation? Do they understand how their work contributes to the goals and objectives of the corporation? What do they think about the hours of work? What do they think about the hours of service, benefits? The whole gamut of the different facets of employment is really what these surveys are intended to cover, I believe.

Mr. Helwer: And who would see the results of those surveys, and how would they be used?

Ms. McLaren: At various times—well, what we've done, in my experience, is we, the leadership of the corporation, would receive a report about the findings, and then the leadership would basically present those findings to everybody who works in the corporation. Often what has done—what is done sometimes with these things is different staff committees are formed and initiatives are developed as outcomes from the survey to improve areas of opportunity that were identified in the survey, things like that.

Mr. Helwer: So do you survey particular areas of the corporation, or are they—all of the employees are surveyed, or how do you differentiate?

Ms. McLaren: For the most part, they've—in my experience, they've been corporate-wide, all employees. Like, you know, you would do a census as opposed to a survey. You wouldn't look for three or four people from a particular area; you would give everyone the chance to participate.

Mr. Helwer: And can you tell me when the next survey might be scheduled for?

Ms. McLaren: No, I can't. The landscape on that is changing a little bit. The human resource consultants, advisers out there are not promoting this in the same way they did over the last few decades as the best way to sort of work with employees and find out what employees are thinking. So I'm not exactly sure what our future plans will be in that regard, but we don't have anything planned at this point.

Mr. Helwer: Was there a survey scheduled in 2012?

Ms. McLaren: Scheduled is probably too strong a word, but there was consideration for doing it. But, given that we were in negotiations with the union, in consultation with the union, actually, we agreed that

that probably wasn't the time or the best idea to be doing it and it was not done in 2012.

Mr. Helwer: So is the union contract deadline or the negotiation that changed the intent to have that survey?

Ms. McLaren: Again, not—it was not quite that purposeful. You know, it was for planning purposes. We made a provision to do a survey because it had been some time since we had done it. But then when we started thinking more specifically about it, thought that it would not be a good time to do it given that we were in negotiations for just about all of 2012, and that's why we didn't proceed with it.

Mr. Helwer: What would have—some of the concerns have been from the management side or from the MGEU side about why that survey would not be done?

Ms. McLaren: Please don't infer that anybody used these words, but from my way of thinking, if you think about it, if you think about what a contract negotiation is all about, if you think about behaving in a manner that is highly consistent with fair labour practices, it just didn't seem to align with that. So you were working with the union, you're negotiating with your employees to create a new contract for moving forward for four years. In isolation from that process, to have management go out with an employee opinion survey is contrary to the principles of fair labour practices, I think. I don't think that's too strong to say that.

Mr. Helwer: Going back to the payroll system, so this is a new module and, obviously, you have to pay for that new module. Can you give me an idea of what the cost might be, what the original tender was for or what the original estimate was?

Ms. McLaren: Are you talking about the full implementation of this human resource management system that included the payroll function?

Mr. Helwer: Yes.

Ms. McLaren: Initially, when we looked at really creating a highly functional human resource management system that is a possibility today unlike the very antiquated, out-of-date, unsupported one that we had been using, we established a preliminary budget of—I think it was in the ballpark of about 18 to 20 million dollars. As we got more into the work of planning the project and getting the project under way the budget was established at about, I think, just under \$11 million, and as we then got further into it

we realized that that was not going to be adequate, readjusted the budget back upward to about \$16 million and, I believe, to this point with the project largely completed in terms of expenditures, I think we've spent about—between 13 and a half and 14 million.

Mr. Helwer: So what is left on the project?

Ms. McLaren: There are a couple of very small phases left related to giving staff more self-serve opportunities to go in and modify their benefits, modify their personal information, use—we want to introduce a little bit more functionality in terms of career planning and tracking training and things like that, but those are value-added opportunities that will come over the next year or so as opposed to the core functionality that's there today.

Mr. Helwer: Do you have an estimate of how long you'll be able to depend on this system, or is it something you expect you will upgrade on an annual basis? Is it a five-year plan? Is it a ten-year plan?

Ms. McLaren: Our understanding from Lawson on both our financial systems and our human resource systems is that we really do need to begin planning for two upgrades per year, and that is driven by them because they need to make sure that their technology continues to remain current. And we will never be in a position like we have sometimes in the past where our usage of that technology falls behind. So one of those upgrades per year will be more almost like the plumbing and wiring kinds of upgrade, and then the other upgrade per year will be more related to functionality and actual user benefit.

So that's really what we've learned from Lawson and we will create a schedule to do that, but we expect to be able to use the core Lawson systems for both our finance and our human resource needs for the—absolutely for the foreseeable future. We don't expect to ever have to do a massive replacement, regeneration, as long as we continue to keep current with the upgrades that they provide and as long as we continue to make sure that we are not customizing their applications extraordinarily. What you really need to be doing is really minimizing customization when you buy packages like this and we've gotten much better at that through time and have less customization than we used to.

Mr. Helwer: Do you have an estimate of what those annual upgrades might cost or projections for what you might spend on this system for the next couple of years?

Ms. McLaren: We do. I don't have it here and, again, we can follow up later with that.

Mr. Helwer: And I imagine that this company provides this system for other entities than yourselves. Can you give me an example of who else they might do business with?

Ms. McLaren: I don't trust my memory well enough to do that. I'm very confident that there are two if not three large local users, which they're—all of which came online within—less than five years ago. We used to be the one large Lawson user in Manitoba, so it really works well for us to have more users coming online here in Manitoba. I can check my memory, and if it's public information we can share that with you, but I'm confident that there's two, possibly three—not confident enough to give you the names on the record.

* (19:00)

Mr. Helwer: And how did Lawson come to be the provider of this type of system originally?

Ms. McLaren: As I say, it was quite a long time ago, but I'm quite confident in saying that was through a tendered process. You know, there are many large providers of this nature, including, you know, SAP and PeopleSoft and organizations like that, which were far too big and far too expensive for MPI.

Mr. Helwer: When you rolled driver's licensing into MPI, did that cause some challenges with the Lawson system?

Ms. McLaren: No, not at all. There were just more employees and a few new vendor accounts and things like that, but no issues at all for Lawson.

Mr. Helwer: Well, I think I'll give my colleagues some opportunity to ask some questions, and we'll come back to some other issues again.

Mr. Chairperson: Thank you.

Mr. Wayne Ewasko (Lac du Bonnet): Ms. McLaren, just a question. How many automobile insurance policies are there within Manitoba? Do you by any chance know of a ballpark figure on that?

Ms. McLaren: What we usually talk about—which is top of my mind right now because it's something we talk about in terms of the Public Utilities Board and revenue calculations and rate making—is earned units, which means one vehicle for 12 months or it might mean 12 vehicles for one month, but it's like one full year of insurance premium. And there is somewhere

over 1 million of those. It's maybe not quite 1.1 million, but 1 million and change.

Mr. Ewasko: Thank you, Ms. McLaren, for that answer.

The renewals for those policies, they're all paper? Is there any electronic or any thoughts for going electronic in the future?

Ms. McLaren: Are you asking if people will be able to renew their Autopac online, basically, is that what you mean?

Mr. Vice-Chairperson in the Chair

Mr. Ewasko: Whether that's what's—that's able to be renewed online or even just the heads-up that they are—that their renewal date is coming up.

Ms. McLaren: We will continue—for the foreseeable future, we will continue to send paper notices of an individual's reassessment, yes. But they can pay those online, they can—most people now pay their Autopac on automated monthly withdrawals, either on their credit card or their bank account. So it's—they don't have to do anything annually, that's just a paper notice that says here's how your payment will be changing for the next year. We've automated all of that so that you only have to physically attend a broker once every five years. So what you need to do, though, at that five-year mark, is we need a new photo for your driver's licence, you need a new plate or sticker. So the only time you really have to go to a broker is when you have to do something like that where your presence really, truly is required, and it's important to us to do that.

Whether or not we could start sending that annual notice of reassessment out electronically, we've really been focused on sort of the bigger issues like the streamlined renewals and so on, but we'll probably get to that point at some time.

Mr. Ewasko: What year was the monthly pay periods introduced?

Ms. McLaren: Two thousand—early in 2000.

Mr. Ewasko: So of those roughly 1.2 million units, what is the percentage of those that have paid monthly versus quarterly versus all in one shot, the once a year?

Ms. McLaren: Not all of the policies in that 1.1 million are eligible for monthly payments. Like, there's over—there's about 140,000 trailers in this province where the premiums are so low they're not eligible for monthly payments. So you'd have to take

those off and it wears the numbers down, but it's—last time I looked at it, it was about 60 per cent of the eligible policies that could choose monthly payments were on monthly payments.

Mr. Ewasko: So the information on those—roughly that \$1.2 million units, and broken down into automobiles versus trailers versus whatever, is that readily available, that type of information? And then could we break that down into those other monthly, quarterly, one-time-shot payments?

Ms. McLaren: We can. Yes, we can. I mean, some of them I know approximately off the top of my head, but in terms of breaking it down in terms of the different categories of vehicles and how most of those owners pay their premiums, we'd have to do that off-line for you and provide that.

Mr. Ewasko: So with these—with the paper renewals and then the paper sort of, for the lack of a better term, heads-up for people to submit their payments or whatever else, when's the last time MPI has sent out, within those paper renewals or whatever else, like, a survey as far as customer satisfaction, and that being said, since we've brought up the J.D. Power published results?

Ms. McLaren: Well, it was just—I'm trying to keep—2010 or 2011 when we introduced the streamlined renewals that made it possible for people to not need to attend brokers except once every five years; four years out of five, they wouldn't have to do that anymore. We've just did that in the last couple or three years. What we did at that time is we assessed the satisfaction with that process. As part of that, as well, we introduced the new driver safety rating scheme, and we did some customer satisfaction as well as customer understanding of that new system as well. So that would be the last time we specifically asked people about the Autopac renewal process.

Mr. Ewasko: So the results of that—of those questions are, again, readily available, or are they—or were they in some report here that I just didn't see?

Ms. McLaren: They would have been done back when we changed the renewal system, so they may not have been in the stuff that we provided more recently.

Mr. Ewasko: Am I able to get a copy of that?

Ms. McLaren: Yes, we can pull that data out for you.

Mr. Ewasko: Okay. Thank you for that.

Questions in regards to—just recently, I had the unfortunate run-in with one of our Bambis kicking around one of the roads, and it was interesting to me that—the wait time to get in to see an estimator, and I was just wondering what has sort of happened. What's the average wait time for a person needing to get in to see an estimator, how has that been over the last few years, and what do you see that's contributing to either the increase or decrease?

Ms. McLaren: Well, our standard is that people should be able to have an appointment within about three days in the city or in Brandon where—or where we have staff always present. We have road runs in smaller communities that we cannot have the three-day commitment, but over the course of a year, we meet that standard. Sometimes—it's not uncommon for people to be able to get same-day or next-day appointments, but there are other times of the year when it will stretch out to eight or nine days.

What we do at that point is we try to prioritize people whose vehicles are not driveable. We try to get them in much more quickly because it's more urgent for them. If someone has a driveable vehicle, we find that they are more willing and it's much less of a convenience for them to wait a few days if, in fact, they can still use their vehicle.

But some of the things that affect that is, you know, we struggle with staff vacation time in the summer. This last winter was the winter that just didn't end. You know, usually by March and April we're really getting on top of our claims service and cleaning up the, you know, the residual claims from the busier winter period, but it was still winter into May in some parts of this province.

But overall, we do hit the three-day target. Sometimes it's one and sometimes it's eight, but that's what we shoot for, is three days.

* (19:10)

Mr. Ewasko: Thank you for that answer.

The number of estimators throughout the province at the various supercentres or—of the like, have—how is the staffing been with that? Have you been seeing any kind of fluctuation with the amount of staff being provided at these various centres?

Ms. McLaren: It's a bit of a challenge for us. We haven't had any—certainly no reductions to our staff establishment, our staff complement. But it is—there

are probably more estimators close to my age than 25- or 35-year-old estimators, and they tend to be retiring.

Mr. Chairperson in the Chair

It is not a quick process. We hire journeymen to come to MPI to be damage estimators, but even with all their knowledge of repairing vehicles, it takes quite a lot of training and exposure to get up to speed to be an MPI estimator. And, again, you know, with many long-service employees, it's a bit of a struggle at vacation time. If we lose an estimator in one of our smaller communities like The Pas or Dauphin, it's a challenge for us to find people who are willing to get-to go up there.

So it's a bit of an ongoing challenge to have estimating staff fully trained where we need them when we need them. But it's something that we're working with the repair trade, the Automotive Trades Association and the Motor Dealers Association. You might guess that most of those journeymen come from them. That's one of the things they like the least is when we hire their, you know, well-trained, competent staff. So we're really exploring how we might do that differently over time, because it's a struggle for us, it's a struggle for the trade, and we need to really get creative in terms of how we deal with that part of our business.

Mr. Ewasko: I don't know if you recall, back in April I'd—you had mentioned rumble strips, and I had asked what the price of rumble 'stip'-'rundle'—rumble strips were per kilometre of highway or infrastructure. Any new info on that? Do you have any? Because I just think that that's a fantastic idea, and I just—we took a trip to—towards Brandon over the weekend and I saw that there was some new asphalt being taken, and I'm just wondering, you know, what the cost of throwing down a rumble strip on a—you know, a nice, straight piece of highway where you might possibly drift off or something like that, so I'm just asking.

Mr. Swan: Well, I think those are actually questions you'd have to pose to the Minister of MIT.

Mr. Ewasko: I thank the minister for jumping in. And I just—I know that during the April chat with MPI that it was Ms. McLaren that came up—that mentioned the rumble strips, and at that point I just would've thought that maybe even the minister would've maybe had that brainwave to ask and to find out, especially when we're talking about potentially, you know, saving lives, saving accidents.

So I just threw it out there to see if she possibly knew. But maybe the minister—does the minister know?

Mr. Swan: Well, I'm just wondering if Mr. Ewasko, if you think that MPI investing in rumble strips is a wise idea.

Mr. Ewasko: I thank the minister for throwing back a question, but basically it was an idea that we had shared in April, and I just wondered what the cost of that was going to be and wondered if the minister had actually asked one of his co-workers to see if that was possibly an idea and how much that would cost, if anything, when they're putting down some new infrastructure throughout this wonderful province of ours.

Mr. Swan: Well, certainly, I mean, again, the question to be asked of the Minister of Infrastructure and Transportation (Mr. Ashton). If the member's suggestion is that MPI should be considering making those investments in infrastructure, either Ms. McLaren or myself can find that information and provide it to you.

Mr. Ewasko: So, then, I'll take that as that the minister of—in charge of overseeing MPI will get the answer back to me in regards to how much it would possibly cost per kilometre of new infrastructure throughout the province. So I thank him for that offer.

Now, just switching gears a little bit there, Mr. Chair, taking a look at the overall accidents or claims on page 30 of the 2012 report, just wondering, of the fatalities, if we could—if I could possibly get a breakdown in regards to age groups for those fatalities for the past few years.

Ms. McLaren: Yes, we can definitely do that.

Mr. Ewasko: Is there—do you know, by any chance, how long that would take for me to get?

Ms. McLaren: I'm—no, I'm not sure. Generally our practice has been to collect all of the questions from standing committee sessions and pull them all together, so that we probably wouldn't provide that until everything would be ready.

But I can tell you a similar question was asked through the Public Utilities Board hearings. So, if you were anxious for a quick answer, you could probably find that—all that information is publicly available on the PUB website or our own website—because it may take us longer to answer it

specifically the way you've asked, but there is similar information out there in the public that way.

Mr. Ewasko: So under the PUB—and I will check that out—but what are the various age groups that the information is pulled from? Like, so if we talk about, you know, 16 to 20 or 20 to 25, 65 to 70, do you know what the range is?

Ms. McLaren: No, I don't remember offhand. I think there would be a couple of categories under the age of 18, 65 and over would probably be another category, and there's several in the middle there, but exactly what they are, I can't tell you right now.

Mr. Ewasko: So it's the PUB that decides on that breakdown of—or it's just—or that's just basically where that information is held?

Ms. McLaren: Through the proceedings related to our 2014 basic Autopac rate application, the consumers association asked a similar question, and so it would be there with all the material from that proceeding. PUB doesn't decide the categories or anything like that, no.

Mr. Ewasko: So, when you mention the age category for, you know, a few under the age of 18 and then you also mentioned 65 or older, is that information readily available or the ability to get the breakdown of, say, you know, 18 and under or 65 to 70, 70 to 75, 75 to—you know what I mean, within the five years as opposed to just saying 65 and older?

Ms. McLaren: I think there are standard age categories that form part of the accident reporting scheme that Manitoba is part of with the rest of the country. But in terms of you—if you had a specific request for information of your own, usually we can break it down.

Mr. Dennis Smook (La Verendrye): I have a couple questions in regard to towing contracts in rural Manitoba and to who is authorized to tow for MPI.

Ms. McLaren: I believe that we have contracts with towers in the two large centres, in Brandon and in Winnipeg, and the Winnipeg contract also has provisions for a certain distance outside of Winnipeg, but other than that, we do not have contract towers. And the distances are great, the communities are small, the accidents are less frequent, and so we have established rates that we pay for non-contract towing. But they—it's not on a contract basis by definition.

* (19:20)

Mr. Smook: So a community, say, like Steinbach would not have a contract with anybody, or, like, the southeast corner, it's open to whoever?

Ms. McLaren: I believe in the southeast part of the province in and around Steinbach it would be based on who's available to do the work and willing to do it for the rates that we pay. If I need to be corrected, I will correct it for you through written communication to you, but that's what I believe the process is.

Mr. Smook: Are there any standards for towing companies that they have to abide by in order to tow for MPI? I know you have to be an accredited shop to do repair work for MPI, but for the towing, are there—do you inspect the tow trucks, or just anybody who has a towing business can go and tow?

Ms. McLaren: Well, we certainly have many, many, many standards in the tenders that we let for the contract towing. With respect to the non-contract, I honestly don't know how prescriptive we are. I don't know if we inspect the trucks. I—we would certainly respond to any concerns or complaints that any citizen had with respect to anybody that was doing work that we were paying for.

Mr. Smook: In regards to who has authority, say, to call a tow truck, is it just the police or is the fire department allowed? Like, who's got responsibility or authorization to call a towing firm?

Ms. McLaren: The police and the fire—the emergency responders would certainly have the authority to do that. You know, there are times when it would be our own staff, an adjustor or our own emergency response, whether it's somebody in our call centre could also do that. But for the most part, people don't call MPI when they're still at the scene of the crash, so it's not usually our staff that would order that.

Mr. Smook: I thank you for the answers.

Mr. Ralph Eichler (Lakeside): Mr. Chair, I would like to, first of all, congratulate Mrs. McLaren on her retirement, and I know that you'll be leaving a wealth of knowledge behind and, hopefully, the rest will be able to catch up fairly soon, but we certainly wish you all the best.

Which brings me to my first question in regards to retirements. As we know, a large number of corporations are involved one way or another in retirement through the baby boomers. What's the

anticipated numbers over the next four years of those anticipated to retire?

Ms. McLaren: First, thank you very much. I really appreciate that.

I certainly don't have the numbers off the top of my head, but I can tell you—and, again, if I need to be corrected, we will correct it for you and communicate that to you, but I really believe for the most part we are through the biggest wave of retirements at MPI. We have had significant turnover at our management levels in particular over the last five to 10 years, even maybe less than five years. We have a much younger management team. The average age of the employees at MPI is lower now than it used to be a few years ago. We have been working really hard to deal with some of that, you know, institutional knowledge that people leave with and have done a pretty darn good job at it, I think.

So I think that's not the issue that it was for us. Even at the executive level, when I became CEO in 2004, since then every other executive has retired and I've replaced them. So the executive at MPI is younger than it was 10 years ago. So we're through the worst of that, I believe.

Mr. Eichler: Is there typically a transition for positions whereby the person leaving works with the other individual? Is that pretty common practice within your—within the MPI?

Ms. McLaren: When possible. We—not everyone gives you as much notice as you would like them to give you. We also do not have—we operate very much on a free and open competition basis when vacancies come forward, whether it's management or any other position in the corporation. So what we do—we don't really sort of appoint someone, you know, a year out and then they shadow; that doesn't really happen at MPI. But if you give people opportunities to learn and to grow—sometimes what we've done are other techniques, like if we know that the manager has a fairly short time span, we will create an assistant manager position. Often, not always, that person will then compete and win the manager's job, but whether or not they do, it at least gives you that opportunity to have had some preparation.

But it—MPI has never been an organization that sort of announces who is going to replace so-and-so when so-and-so leaves. It's much more of a free and open competition system than that.

Mr. Eichler: Thank you for that. As the minister knows, we've been introducing new plates. I brought in information in regards to the veteran licence plates, and we just saw one on the firefighters. How much has—money has been paid out to the various organizations, and is that breakdown available? I know we had the Bomber plates, the Jet plates and the firefighter plates and so on. Are those numbers available to the general public, and how do we go about finding those or how do we find out what money has been paid out?

Ms. McLaren: I think you've named the—I'm trying to—I think there are four. I may have forgotten some, but there's the Goldeyes, the Bombers, the Jets and the firefighter plates are the ones that do have that charitable component of the fee that people pay. I believe that that is legitimately public information in terms of how many of those have been sold. For every sale, there is a \$30 contribution to the charity that is associated with each of those. So, again, we will provide the number that have been sold and do the math, unless someone tells me that for some reason that that can't be made public, but I don't know what that would be.

Mr. Eichler: And I guess the other thing would be a follow-up to that on, and when is it paid out? Is it annually or semi-annually or every other year or every year?

Ms. McLaren: It's fairly frequent. I mean, the two that we had initially, the Bombers and Jets, just sold like wildfire, and as soon as they were sold, we made the payments. But I think we may be in a bit more of a standard administrative process now, so we can—it would certainly be—at a minimum, it would be annually, but certainly no more than that, probably less than that—probably more frequently than that.

Mr. Eichler: I do want to switch gears, and I look forward to that information coming.

In regards to the trucking industry and the number of claims that's been submitted to MPI, how much is—how many claims has been a result of failed equipment?

Ms. McLaren: Historically, in Manitoba and elsewhere, the percentage of claims, whether they're trucks or any other kind of vehicle, that are actually caused by mechanical breakdown, equipment failure, is very, very small, far less than 10 per cent. I don't know the last time that we've actually looked into our own 'syst'—or databases for that information and reported on it, but generally that is consistent with

police reports and reports from other jurisdictions. It's a very small percentage of the total. It's almost always driver error or driver failing to drive to conditions. Conditions are sometimes identified as the cause, but actual breakdown is very rare.

Mr. Eichler: I'll switch gears again, over to the motorcycle claims. And how many claims has there been over the last three years, or is there a breakdown available?

Ms. McLaren: Someone may be able to find that for me before we leave this evening—maybe not, maybe we're almost done. But the numbers are fairly consistent with motorcycle claims. They are really quite consistent from year to year. What changes fairly unpredictably, if you—and you might—it makes sense to me, given the nature of the vehicles and given the nature of the scale of injuries that can happen on a motorcycle, the severity changes significantly. In fact, we were, again, at PUB. In the last few weeks, we were looking at some of this information. In 2012, I think the total cost of motorcycle claims was somewhere—2 to 3 million dollars. In 2011, we had one claim that was \$2.3 million. So the severity really changes a lot, but in terms of the number of the number of motorcycle claims per year, it's usually between 175 and 200.

*(19:30)

Mr. Eichler: I am a motorcyclist and very proud, and I am all about motorcycle safety. And whenever I see individuals taking chances on motorcycles, it upsets me to no end. And has there been any discussions in regards to motorcycle safety courses with the motorcycle coalition or with any other organization in regards to preparing for road safety? And if so, why hasn't there been?

Ms. McLaren: Yes, absolutely, there is not only just discussion about it, but there is a couple of different training programs that Manitoba Public Insurance heavily subsidizes for motorcyclists.

Quite a few years ago now, the law changed in Manitoba and motorcycles are required to take training before getting their licence, and what we—there's two versions: there's a one-day course and I think there's a two-day course, something like that. So we more heavily subsidize the two-day to encourage more people to take that so that it is as less—I think is less costly than the one-day, to get people to go for the more advanced training.

In more recent years we've also been heavily subsidizing sort of an experienced rider training

program. One of the things that we learned through the CMMG is that a few years ago there was a lot of motorcyclists who had—who rode when they were young and are now returning to it as they hit 45, 50, 55, have not been on one for 30 years or so, and so the returning motorcyclist or the experienced motorcyclist training program is another area that we are subsidizing. And it's something we continue to talk to them about because it is an area that not all motorcyclists are interested in, but those who are, we do what we can to help.

Mr. Eichler: As the—Ms. McLaren knows, there's been a large number of increase in three-wheel motorcycles, mainly because of age and, of course, people with disabilities, as well; it gives them an opportunity to ride. There's been any courses developed for three-wheel motorcycles rather than just the two?

Ms. McLaren: You know, I believe the manufacturers and the dealers have really been front and centre on that. And I think they do—that the Can-Am and others have provided training through those means. I don't know that the safety association or the coalition really has focused on that kind of specialized training. I think it is much more general kind of training.

Mr. Eichler: In regards to personal injury claims, is there a number that's available for personal injury claims that were as the result of not necessarily the motorcyclist, but the motor vehicle that never saw the motorcyclist, where the vehicle actually caused the accident? And I know that's charged to the motorcycle fund, or has that changed?

So my question is, of the number of claims available for those vehicles that cause an accident other than a motorcycle—and has the formula changed whereby that's not charged to the motorcycle fund in regards to the insurance dollar amount out of that fund?

Ms. McLaren: The claims that are categorized as single-vehicle motorcycle claims are the ones that there is no substantiating evidence that there was another vehicle involved. If there's anyone like a third party, any other opportunity to identify that it was another vehicle that caused the motorcyclist to lose control, then that claim would not be categorized as a single-vehicle. But the ones that are single-vehicle accidents, the costs of those claims sit in the motorcycle pool. All of the other claims that were between a car or a truck and a motorcycle, the total costs of those claims are added up, divided by

two, and shared between that pool and the motorcycle pool.

Mr. Eichler: That leads me into my next question. In regards to the forecast for 2014 and 2015, what is the forecast for motorcycle insurance overall for the 2014-2015 period?

Ms. McLaren: Unlike the 1.8 per cent overall increase we're looking for, we've applied to the PUB for a 6 per cent decrease for motorcycles.

Mr. Eichler: And, again, by being a motorcyclist or a hobbyist, I guess, I have fear for the way some of the vehicles that are manufactured; some motorcycle brands, so to speak, are made for speed. And a lot of people, once they get on that vehicle, seem to think that that's what they want to do. So they usually drive accordingly, and put other motorcyclists' rates high because of that. Is there any breakdown based on manufactured brands or the description of motorcycles taken into account whenever you're calculating those rates?

Ms. McLaren: Not by brand, no, but by category. You know, we—sport bikes are a separate category. Touring bikes, other—so we have, you know, there's basically scooters, motor scooters; there's the sport bikes, the touring bikes and everything else, basically, so significant difference in rates between touring bikes and sport bikes. They are—the sport bikes pay about—I think now it's about 110 or 115 per cent of the basic rate, where the touring bikes would be more like about 75 or 80 per cent of the base rate. So it does definitely depend on the style.

Mr. Eichler: Has there been any discussions in regards or has the department looked at the season for cyclists that want to take their motorcycles, say, to a warmer climate for the winter as far as the calculations for the premiums are concerned?

Ms. McLaren: For many years, now, based on discussion with the CMMG, the motorcycle coalition, we have a seasonal rating scheme in Manitoba where motorcyclists pay their premiums between the months of May and September, and that is their full annual premium. They're still registered. They're still insured. If they're going to trailer them south for a couple of weeks, they can do that. If they decide they only want to ride for May or June, then they only pay for May or June. So most motorcyclists do go with the full season from May to September and then they're free to use them elsewhere if they want.

And it wasn't so much for people who might want to trailer them and use them for a week or two on vacation. It was really the frustration that motorcyclists felt thinking about, okay, so, you know, today's a nice day in April. Is it going to be the only nice day in April, or is it worth me plating the bike now? They didn't have to be gambling. They didn't have to be figuring that out. So most people want to ride when they can, and by calculating the season so that they pay all of their premiums between May and September, they're free to do that. So it works.

Mr. Eichler: I guess one final question, and we're still staying on the motorcycle claims, with the highways being maintained with the ditches being cut, and, of course, this will fall into vehicle accidents and wildlife, has there been any studies done on whether or not the maintenance of roadside, whether the grass is cut, in regards to wildlife claims, whether it be motorcycle or car or truck? Because I know in my area, I certainly get a lot of calls whenever the highways are not maintained, and, of course, they're fearful because they just don't have time to stop when the grass is quite a bit higher as opposed to where it's not maintained. Has there been any studies on that?

Ms. McLaren: No, not that I'm aware of, no.

Mr. Helwer: I think, seeing we had the critic for MIT going there, I know we've had some discussions over a piece of legislation that's going to change vehicle licensing a little bit—the T plates, CT plates, PSV plates. Is there any intent, in your understanding, Ms. McLaren, that MPI and the brokers will be responsible for collecting fees for PSV plates?

* (19:40)

Ms. McLaren: The PSV, the public—no, no, no conversation about that as far as I know.

Mr. Helwer: So, if a individual company has to move from a CT plate to a PSV plate, the brokers are going to be out quite a bit of income in certain areas. And this is something that will not bode well for those brokers, and you have an agreement with them on their revenues. Will this impact your agreement with them?

Ms. McLaren: I—honestly, I've heard no discussion about CT-plated vehicles potentially having to become PSVs. The PSV vehicles are part of sort of an international and national reciprocity program. I remember some discussion around whether

CT-plated vehicles may need to become T plated, but not PSV plated. That would be new to me if that was in the future.

Mr. Helwer: Well, the limitation on the T plates, of course, is geography, and for companies that still need to operate their vehicles within the province or a large portion of Manitoba, if the CT plate is not available, a T plate won't do. So they will have to go to a PSV plate and pay the extra cost, and then that is something that will impact the brokers in Manitoba.

Ms. McLaren: Well, if they are significantly—if there are about to be significantly more PSV in the province, that will be something that will affect us and our staffing requirements as well. That is new to me, and it, you know, there may be—there are very, very few, so, I mean, if you're talking about maybe 5,000 going to 7,000, I'm not sure. There may be a very small number of brokers that might be material for. There may be—overall, it wouldn't really make much difference at all, but those are the kinds of things that in my experience the Insurance Brokers Association of Manitoba is really often right on top of and talk to us early and we find ways to deal with it.

The PSV process itself, though, given the fact that it is part of this national and international reciprocity, is a very complex process. There is incredible documentation that has to be provided by the carriers. It's not something that I think the registrar would be able to delegate to 300 brokers across the province. So, you know, it's—if that's a potential outcome, it—we'll have to figure it out, and we've got a pretty good track record of doing that with brokers and with the registrar.

Mr. Helwer: Okay, changing direction a little bit, going back to—down to some numbers here, I guess. Investment income: when we look at what occurred in MPI the last little bit, you're not the only government body that had this problem, but investment income fell some 30 per cent in 2012 to \$83.2 million. Can you give us some ideas of the reasons for that?

Ms. McLaren: Well, probably one of the larger reasons: that interest rates were predicted to increase, and they didn't. So that's—when our income falls in relation to budget or falls in relation to previous years, it's often related to things like that.

In terms of our investment portfolio, our real estate investments have been very strong. Canadian equity has been pretty flat the last while. We have a

smaller amount of US equity. It's been doing very well over the short term. But for the most part, bonds, based on interest rates have not done as well as people thought they were going to do.

Mr. Helwer: Do you have an investment committee that is responsible for MPI's strategy?

Ms. McLaren: Well, MPI funds available for investment are managed by the Minister of Finance, the Department of Finance. Staff, for the most part—not for the most part—the Minister of Finance has delegated responsibility for the MPI fund to the assistant deputy minister of Finance, and he does attend investment committee meetings of the board of directors, but he is accountable for the fund. But he works with his staff as well as people at MPI, our own CFO, our corporate controller, our investment staff, ourselves and, collaboratively, they oversee the fund. That's the investment committee working group which is comprised of both people from the Department of Finance and MPI.

Mr. Helwer: So then, carrying on with the finances, then, for 2012, MPI had net income of some \$23 million and the loss for 2013 was projected at \$48 million. Can you give me an idea of the reasons for some of that reason we're running for—at a loss?

Ms. McLaren: You name it. It was one of those that we've talked about this at the Public Utilities Board when everything trends in the wrong direction, right? Our revenue was down a little bit, only about 5 or 6 million dollars off budget, but in terms of our other liabilities, our—we had a negative adjustment to our pension fund at year end, which we had to recognize a net income, again, because the return, the expected return had to be adjusted down, again, primarily due to interest rates. Investment income was off target, more than anything due to interest rates on the bond portfolio, and we had the winter that didn't end, you know, unlike the previous winter which we almost missed if you blinked two times. It started last year in early November and it was still going strong by the end of April.

So we had higher claims costs, little bit lower revenue, worse investment income and some end-of-year adjustments like the actuarial adjustment on our injury claims was another area where we took a bit of a hit, and our pension fund.

Mr. Helwer: You have some projections, I would imagine, for when you're going to return for—to a profitable level again, and what might those projections be?

Ms. McLaren: We're thinking—yes, our second quarter financial report was distributed to you folks recently, and we—a reason—thinking that we are within break-even territory this year. We may make 10 or 20 million dollars. We may lose 4 or 8 million dollars, but we think this year—and, again, especially given that since this fiscal year started, I think we are looking at interest rates are about 70 basis points higher than they were at the beginning of our fiscal year. We think we may be in not bad shape this year. So we expect a return—remembering that from the biggest, biggest piece of our business it's not a profit target, it's a break-even target—we expect to be in that ballpark this year, and depending on what the PUB decides in our rate application, we'll see going forward beyond this year.

Mr. Helwer: So do those projections include the rate increase or without the rate increase?

Ms. McLaren: Well, the rate increase would not start until March 1st of 2014. So we believe that we will be in reasonably close to break-even territory this year without the rate increase that we applied for.

Mr. Helwer: So, if you're at break-even, why do you need a rate increase?

Ms. McLaren: What we're talk—the difference what we're talking about here is corporately versus the basic compulsory program. We know that we make money. When I talked about we may make 10 or 20 million dollars corporately this year, that all would be coming from our competitive lines of business. Basic is—and I know this is something most Manitobans wouldn't necessarily make a lot of sense to them, but when we're at the Public Utilities Board and we're talking about more than \$800 million a year of revenue and you're trying to have a break-even point, we're basically talking, you know, minus 10 million to plus 10 million, in that range. You can never hit it exactly on a zero.

So what we need the rate increase for is that we believe that interest rates are likely to increase and that will help us. But we are not prepared to sort of bet the farm, so to speak, on the kinds of interest rates the banks have been predicting and have not transpired over the last few years, and, unfortunately, we're seeing a few more collision claims this year and last year, compared to the year before and the year before that when they seemed to be kind of tailing off a little bit.

*(19:50)

So, because we expect less than optimal investment income and we're seeing collision claims a bit higher than where we thought they'd be, that's why we need a 1.8 per cent rate increase.

Mr. Helwer: So, as a ratepayer, what do I get for my 1 per cent increase in rates?

Ms. McLaren: What you get is rate stability, and what we know about Manitobans is they value that just about above all else. They don't want to be paying the absolute lowest cost they can if they believe it compromises their coverage and their—and more than anything, their predictability. Interest rates have a big impact on our financial position these days, and when, you know, the five big banks keep saying, for the last five years, interest rates are going to increase by 300 basis points over the next five years, and it doesn't happen, and we and others continue to build that into our forecasts, we end up having results that are much, much worse than we thought they would be.

So we've taken a little bit of a less optimistic approach to interest rates. We are still, with everyone else, saying, yes, they're likely to increase, but we also have to reflect the fact that we've seen a little bit more collision claims. We don't want to be sitting here a year from now saying, well, you know what? We should have asked for a rate increase last year. Now we need one and now we don't have a rate stabilization reserve because we lost another \$48 million. That's what we're really trying to do more than anything else with that rate increase.

It is a guessing game, and it is absolutely within the Public Utilities Board's authority to replace our judgment with theirs, and they'll decide if they think our best estimate of interest rates is too pessimistic or optimistic. They can't argue with where our collision rates have been. They absolutely know that we have kept tight to our operating expense budget that we said that we would stick to over the last couple of years. So this, really, this rate application and this need for that rate increase, more than anything else, is about our best guess that Manitobans want the stability of a small increase now to adequately reflect the interest rate risk that's out there and really, in their best interest, provide the stability they want. So that's really what they get. And we think it's in their best interest.

One of the other things that we could do to completely immunize the insurance fund against interest rate risk would be to completely match our liabilities, our assets, together, but that means we'd

need a higher rate increase, because then we don't get the lift that we would normally get when the interest rates do start to increase. So we really believe this is in Manitobans' best interests. We do not believe that they would trade off a 1.8 per cent increase on the speculation that they might not need a bigger one next year. That just doesn't make sense to anybody I've ever talked to about how they want their stability and their predictability on their Autopac rates.

Mr. Helwer: So, if a rate increase is declined, what do I have to give up as a ratepayer?

Ms. McLaren: I would say it depends. If the rate increase is declined and interest rates just continue to climb more than people thought they would, then we all win and Autopac will be as strong as it is today and it will all be good. If the rate increase is declined and interest rates go back down from their 70-basis-point increase or demonstrate the kind of volatility that they have demonstrated over the last five years, then we'll be looking at a rate increase and probably an RSR rebuilding surcharge next year.

So, you know, that is our dilemma. That is what we used our best judgment for to come up with that application to the Public Utilities Board, and, at this point, it's in their hands. But, if the rate increase is not provided, we're not going to lay off a few dozen staff, we're not going to close a building, we're not going to deteriorate service. We will keep meeting Manitobans' needs as best we can, but what they probably will not have in the next few coming years is the kind of stability that they have come to rely on.

Mr. Helwer: So bringing it back down to the individual ratepayer, if the rate increase is not approved, what's the impact on the individual ratepayer? What will they lose?

Ms. McLaren: What they will lose is the confidence that they will not be facing something worse next year. This is about a financial forecast. This is about our best estimate as to how to predict, how to prepare and provide rate stability to Manitobans. This is not about, please give us 1.8 per cent more so we can spend more money and, you know, expand the building in Portage la Prairie. We're already doing that. It's under way. We're not going to cancel it if they don't give us the rate increase.

So, in terms of operational impact, are we going to stop sending renewal notices? Are we going to cancel our plans to deal with the Automotive Trades Association and Motor Dealers to really improve the physical damage claims handling? We're not going to

do those things. Those things are prudent, and they're responsible things for us to be doing. If they don't give us the rate increase, the impact on Manitobans will depend on whether the PUB's judgment turns out to be better than ours in terms of the financial forecast; the interest rates is really what it comes down to.

We think prudence is really, really important to Manitobans right now, and that's why we put the application together that we did.

Mr. Helwer: So, over the year, what types of things has MPI done to try to keep rates low for Manitobans?

Ms. McLaren: We've done a number of things, not over just the last year but over many years. We have implemented improvements to our systems that have helped us be more efficient. We have found ways to use technology better so that we need a few-fewer staff here or there. One of the things we did this year—just a small change—we moved our telephone infrastructure to a voice-over IP. I don't have a landline telephone on my desk anymore. Things like that have, you know, saved us quite a lot of money, a number of things like that. We continue to use really tight tendering process when we do things like, you know, purchase vehicles for high school driver education, any number of things like that to run as efficiently as we possibly can, always with the proviso that we're not going to compromise service.

It's incredibly important to Manitobans that they feel we are meeting their needs to the extent that we ask them, you know, and we work hard to do that. So we have a few—we have moved work from case managers into the call centre, which is a far lower-cost way to provide service. There's things like that we've done.

There's a number of things like that that have continued to make this operation as efficient as we possibly can. But, at the end of the day, Manitobans are getting virtually a dollar back in value for every dollar they pay us in premiums. And that's right back out in terms of claims benefits, claims payments. And that is the vast, vast majority of our costs at MPI. We—our administrative expenses are a small percentage of our overall expenses. Most of the money that we spend goes straight to body shops for parts and for labour and to health-care providers and to cover people's income.

Mr. Chairperson: One second. The hour approaching 8, what's the will? Shall we continue?

Mr. Helwer: May I suggest, Mr. Chair, that we go 'til 8:30 and revisit at that point.

Mr. Chairperson: So 8:30's agreed? *[Agreed]*

Thank you. So kindly come to—Mr. Helwer.

Mr. Helwer: So, looking at the recent results, you got a forecast that shows MPI's returning to profitability. You're using—there's a fear out there that you're going to lose money next year, is what you're trying to say. That's why we need the rate increase, but why isn't—why don't you have the expectation that you're going to be profitable next year and—or break even and not need the rate increase?

* (20:00)

Ms. McLaren: One of the most important things we do at Manitoba Public Insurance is the forecasting process. What do we think is going to happen for this year that we are just beginning, because this process basically happens between February and April every year? And it is a basis of our Public Utilities Board application. It is the basis for our forecast and budget for the current year. It is absolutely one of the most important things we do.

We were—we have a group of senior leaders that report to the executive who are our forecasting committees, and they came and met with us back in April of this year. And what they said is, well, first talking about basic, you know, the compulsory program, we lost about \$70 million last year, and right now our forecast is indicating if we don't—corporately it was \$40 million or so, but we made some money on the other line, so basic lost about \$70 million—if we don't find a way to do something different in this current year, '13-14 that we're in right now, we'll probably lose about \$40 million or so, but if we forecast the way we've always forecast, '14-15 and beyond will be just fine, so don't worry about it; looks like it's all good, if you really think you can just go ahead and do things the way we did before. That's what our senior leadership group told us. And they didn't think that made any sense, and neither did the executive group. How can we be looking at that kind of a loss and a potential loss this year and think that as of March 1st, 2014, everything will start being fine? And the only answer for everything starting to be fine, is that we were using these very optimistic interest rate forecasts going out into the future, and we believe that we need to be more pragmatic and consider what really does make

sense so that we can continue to provide that kind of rate stability for Manitobans.

So we did two things: one of the things is we adjusted the interest rate forecast to reflect our belief about risk tolerance for Manitoba basic Autopac ratepayers, and that was the basis of the PUB application that ended up driving the need for a 1.8 per cent rate increase more than anything else. The other thing we did, is we took a hard look at this year, talked to our investment fund manager, and for a couple of reasons, but in no small part because we were concerned about the financial picture for this year, we made a change to our US investment and we were able to realize a gain of about \$50 million corporately and about \$40 million for the basic plan this current year. So that's why we think—for more than anything else, that's why we think we'll be in about a break-even position this year.

So we've done what we can to manage this year, we've been more realistic about what we think is most likely to happen to interest rates and what is our risk tolerance with respect to the downside of those interest rates truly not evolving as everyone continues to think they will, and that's where we are today. So we have done our best to protect this year and we have a 1.8 per cent rate increase which Manitobans have not reacted to in any negative way whatsoever, and I know I'm right when I say they expect stability from us and that's what we are trying to provide .

Mr. Helwer: Does MPI have customers, and who might they be?

Ms. McLaren: Customers, in the pure sense of the word, are ratepayers and claimants. They're not always one and the same, but those are our customers for all intents and purposes.

Mr. Helwer: How does the broker fit into that model?

Ms. McLaren: The language that we use at MPI is that brokers are business partners.

Mr. Helwer: So you have made an investment in the brokers' business? You own part of their business?

Ms. McLaren: Absolutely not, no.

Mr. Helwer: So they are not partners then. A partner in a financial sense means that you own a part of their business. Are they partners or are they customers?

Ms. McLaren: I don't believe those are the only two options. They—in the truest sense of the word, they are service providers. They are paid a commission to do work on our behalf. What we found, together, we and the brokers, through 40-some-odd years of working this out, that when we think in terms of partnership, when we collaborate together, things work much more effectively, but in the truest sense of the word, they are service providers for us and our customers.

Mr. Helwer: Many of the brokers also provide insurance for other purposes. They are brokers for other companies and they are often seen as a customer to those companies. Why do you not see them as a customer?

Ms. McLaren: Brokers provide options for insurance to their customers from companies other than MPI, and your question is why doesn't that make them our customer. Did I understand that?

Mr. Helwer: When a broker is providing household insurance to one of their clients, they deal with another company other than MPI. They don't—you don't do that to my knowledge—and they are seen as a customer of that insurance company. Their client is not the customer. The client is the customer of the broker. Why is the model different for MPI?

Ms. McLaren: The word broker means that they have options, and they will decide where to place that customer's homeowner policy. And so, therefore, the insurers in that model have a lot vested in the particular broker. And they have in some models—and it depends based on who the insurers are and how they choose to deal with their clients. They have less of a direct relationship perhaps. Many brokers are involved in the homeowner side of the business. They're involved in the preliminary claims handling process. Depending on the nature of the claim, they may do 70 per cent of the whole process. So it is different. So why do not the brokers of Manitoba own their Autopac customers?

That wouldn't make any sense to me. That's not something that has ever been seriously considered by any government in the 40-some-odd years as far as I know. It's not something that the brokers have necessarily pursued. I think it's a little bit counterintuitive when you're providing a compulsory program that is also universally available—no one is turned away from basic Autopac; people have a guaranteed right to purchase that product—to somehow have that kind of a relationship between customers and brokers and not the legislated

entity that's supposed to provide that compulsory and universal product.

Mr. Helwer: I'm not suggesting that brokers own their customers. They certainly don't. They don't own their customers more than any other business owns them. You earn the trust of that customer, and they decide whether they are going to continue their business with you or not, and that's certainly the case with brokers. They can move to another broker. They have that choice. So they don't own the customer, but they do try to earn their trust and a continuation of their business.

You mentioned that the brokers have a choice for their other business, and, yes, they do, indeed, and the definition you gave of a broker was that they have that choice where to place their household insurance for their client. They don't have that choice with MPI. So are they still a broker for MPI, then, if the definition of a broker is that they're able to look elsewhere for coverage?

Ms. McLaren: No, a technical—according to a technical definition, the insurance brokers—and this is true of other lines as well. They are agents for Wawanesa. They are agents for Portage la Prairie Mutual. They are agents for Manitoba Public Insurance, and if they offer all of those things, that makes them a broker. So that's the technical difference between agents and brokers.

The profession, the formal association prefers usage of the word broker as opposed to agent. We have certainly willingly worked with them and use that terminology to the extent that they would prefer that we use that terminology. But any broker who is licensed to sell the products of an insurer is an agent for that insurer. That's true of all of us.

Mr. Helwer: Moving on to public awareness campaigns, can you tell me what campaigns are—is MPI currently funding?

* (20:10)

Ms. McLaren: Advertising and awareness campaigns, I don't know if we're funding anything right now this minute. We—the most recent that we would have—a broad campaign would have been the texting campaign that was run fairly recently. I know right now that we have billboards and bus boards out about buckling up, wearing your seat belts. That would be something that is under way right now. Most of the year we have something under way with respect to distracted driving, seat belts, drinking and driving, and speed, in various forms.

Mr. Helwer: There was a suggestion over a year ago that MPI would fund infrastructure, and I'm interested, from the Chair's perspective, it—was it the board that turned that proposal down, or how did that proposal come to an end?

Mr. Janzen: The board ultimately has decided to discontinue any further—at the time, it made the decision to discontinue further investigations into that as an option.

Mr. Helwer: So now we have funding announced for school zones and enforcement and programs, education that is supposedly coming from MPI. Do you see this as something similar to the infrastructure, or is this a totally different program?

Mr. Janzen: I'll let Ms. McLaren answer that in detail. I would see these as programs of a different nature, yes.

Ms. McLaren: For many years in—primarily related to—initially, solely related to drinking and driving, we have funded limited, enhanced enforcement. The school zones are an aspect of the—they're—in the safety business, they're known as STEP campaigns, selective traffic enforcement programs, which are seen to be effective in reducing crashes and injuries when they're combined with education and awareness and advertising and things like that.

We—the road ruts program, the, you know, drinking and driving enhanced enforcement, the speeding in the school zones, the enhanced enforcement for texting that we funded a couple of months back related to the start-up of the change to the legislation that assigned two demerits for being convicted of using a cellphone while you're driving; all of those things are different forms of enhanced enforcement that MPI has funded. In all cases, what we do, we work with police agencies to see if they are able and willing to resource enhanced enforcement in this way. It's all—I believe it is exclusively resourced through overtime, and that would be what the MPI dollars are associated with, is overtime. We have funded that kind of enforcement for well over a decade, maybe closer to two decades. Maybe we do a little bit more of it now than we did before, but only marginally so.

Mr. Helwer: So the projections, I believe, are that MPI intends to spend \$50,000 on this particular program. Is it something that you anticipate will be continued annually, and will the amount change? Will it increase? Is it a dedicated amount?

Ms. McLaren: For the last couple of years we have had a budget of about \$600,000 for enhanced enforcement for specific events like this. I don't see that amount changing unless something really significant happened in terms of our collaboration with the police. I don't know that we've ever spent the full \$600,000 either; it's often difficult to get officers who, you know, work long, hard days, to work overtime as well. But that is what the budget has been, and I certainly don't see spending more than that over the next few years.

Mr. Helwer: So this \$50,000, then, was not new money but existing money? And what program was dropped because you focused on this one?

Ms. McLaren: Well, no, as I just said, we've never spent the full budget. So this is new money because we have a new commitment from the police to resource this initiative, and we will pay it. So we may in fact get closer to spending the full budget this year, but we're certainly not cancelling anything, and there's nothing I said that would indicate that.

Mr. Helwer: Are there particular police departments that benefit from that funding?

Ms. McLaren: If memory serves, I believe that about 50 per cent of the funds traditionally have gone to the RCMP because they have so many detachments in so many different parts of the province. Winnipeg, for obvious reasons, would be the next largest and—followed by Brandon, and we do some selective traffic enforcement initiatives with the very small police agencies across the province as well, but that would be the smallest category.

Mr. Swan: Yes, just to add to that, this particular program regarding school zones, there's been an arrangement reached with the Altona, Morden and Winkler police services to provide some assistance there as well.

Mr. Helwer: Are there any of these programs in northern Manitoba?

Ms. McLaren: Yes. It would depend on the local RCMP detachment's ability to resource it, absolutely.

Mr. Helwer: So do they use these programs in northern Manitoba?

Ms. McLaren: I don't have a lot of current information off the top of my head, but I know definitely we participated in some enhanced enforcement along the Highway 6 corridor in the past and the Thompson area for sure.

Mr. Helwer: One would assume that ticketing occurs during these enforcement programs, and the revenues for those tickets stay with the police force or is there any sharing with MPI?

Ms. McLaren: I don't know where the ticket revenue goes, but not a penny of it comes to MPI.

Mr. Helwer: So there's no intent for a proposal to use the increased ticketed revenue to further fund this program or to replace some of MPI's funding?

Ms. McLaren: I can't speak to that. I understand—I believe—and I don't understand, I don't believe—I know for a fact that we have funded enhanced enforcement which is largely overtime of officers. There's been no conversation that I'm aware of with respect to replacing our funding.

These are not the only selective traffic enforcement campaigns that the police run in a year. We do many joint initiatives with them where they fully fund their own STEP initiatives and we fund the advertising and public awareness aspect of it, but for somewhere between 400 and 600 thousand dollars a year we provide funds for overtime.

Mr. Swan: If I can just add, I mean, one of the benefits for MPI, or, more properly, MPI's ratepayers, is that, for example, with the school zone program, if we can encourage Manitobans to drive more intelligently in school zones, to be aware of the rules regarding school buses and the dangers regarding school buses, unfortunately, there is always the possibility of a child being hurt on the way to school, on the way home from school which, of course, would be an MPI claim. So, as I said in my comments at the outset, not only is it a responsible thing for MPI to do, it's certainly a wise move as an insurer acting on the—in the best interests of its ratepayers to try to find a number of different ways to reduce those risks, hopefully, reduce injuries, reduce claims and continue to keep premiums as low as is reasonably possible.

Mr. Helwer: So in terms of this campaign, Ms. McLaren, do you agree with the minister that it will lower costs for MPI customers and how will it go about doing that?

Ms. McLaren: Conceptually, that's exactly what we believe. Do we have the ability to identify exactly how many claims were avoided or exactly how many lives were protected, that's one of the challenges of working in this road safety space. There are so many factors at play, so many different variables, the extent to which you can do something over a fairly

short period of time and show truly—a payback in that window or a more sustained change going forward is very, very difficult to do.

We are talking trending and directional moves through time and those are kind of the things that we try to focus on, absolutely. I mean, it's—we're talking very small dollars when we're thinking in terms of \$200 million a year in injury claims. Four hundred dollars a year for all the different STEP programs that we fund, that is less than one—by far, less than one serious injury. We believe that enhanced education and awareness, together with enhanced enforcement, makes a real difference. Do they have the ability to measure that in terms of actual claims reductions in a discrete way? We don't have that opportunity to do that, no.

*(20:20)

Mr. Helwer: So MPI ratepayers are paying for this, and they're looking at increased costs coming up with a rate increase. Wouldn't it be more appropriate for the Department of Justice or the Department of Education to fund that type of a program?

Ms. McLaren: This is not uncommon territory for insurers, for automobile insurers, to work together with enforcement, particularly public auto insurers where there is, you know, this sphere of influence and the opportunity to gain every penny of savings, should there be some, all accrue to the public auto insurer. So this is very consistent with things that happen in Saskatchewan, in Québec, in British Columbia, Transport Accident Commission in the state of Victoria in Australia; all of these organizations have a significant role to play in road safety.

Mr. Helwer: So where is the line that you don't cross? How far do you go in funding programs before you get to the point where you've gone too far? I mean, you can make the argument that MPI should invest in technology in cellphone companies to make hands-free operability better than what we currently have, but I don't believe that's something that the board might go for. Where is the line that you go to before you've gone too far?

Ms. McLaren: That is a very interesting question, and I think the answer is highly dependent on where you are, the jurisdiction, because every citizenry defines that differently, and that is in no small part for elected officials to decide, for administrators of legislative programs like Autopac to figure out how best to find an appropriate role.

There was a time when Manitobans would not have considered it at all reasonable for MPI to be funding immobilizers to be installed in vehicles that are most at risk of being stolen. There was a time when Manitobans thought The Club was the most effective tool you could have to keep your car from being stolen. There was a time when people would not have supported the government passing, you know, legislation to say that, if you have one of these vehicles and it's been stolen more than once, you have to have an immobilizer. That was the first piece of legislation that was welcomed by the people who had to have these vehicles immobilized. There was a joint committee of the legislature in Saskatchewan that recently submitted a recommendation that SGI, Saskatchewan Government Insurance, should fund 20 police officers to enhance traffic enforcement in Saskatchewan. I'm not sure Manitobans would welcome that.

So it's absolutely dependent on how the people in a particular jurisdiction define an issue, how they feel about different organizations playing different roles, and it's the administrators of programs like this to do their best to find appropriate responses to what the people in this jurisdiction believe is the right thing to do.

Mr. Helwer: So, then, to Mr. Janzen, the board chair, was the funding of infrastructure over that line? Was that how the board felt?

Mr. Janzen: Well, certainly, the funding of infrastructure was the funding of programming of a kind which MPI had not previously done. It is done in other jurisdictions. And the decision was made not to pursue that further at the present time.

Mr. Helwer: So, then, back to the question: Was the perception of the board that that funding of infrastructure was over that imaginary line I described and not felt to be acceptable by Manitobans?

Mr. Janzen: I wouldn't frame it in those terms. The terms in which I would frame it is that this would be the kind of funding which had not previously been undertaken and that this was not the appropriate time to pursue that further. Whether you—whether I—whether to cast in terms of crossing an imaginary line or not, I don't know.

Certainly, the funding of infrastructure is the funding of a kind not previously undertaken, to my knowledge, by Manitoba Public Insurance.

Mr. Helwer: So, Mr. Janzen, do you expect that a proposal of that type will come back to the board another time, perhaps when MPI has better profit projections?

Mr. Janzen: I honestly don't know when, if ever, that concept might come back for the board for further discussion. I personally don't rule it out, but I—it's an interesting idea, and the time for considering it further may come again.

Mr. Helwer: Back into question for Ms. McLaren, in terms of getting back into the public awareness campaigns and funding, I note under the Public Utilities Board meeting of September 26th, that MPI gave the Winnipeg Folk Festival a \$100,000 donation. So how does this donation work with public awareness campaigns of safety in school zones, that type of thing?

Ms. McLaren: It doesn't. I don't believe that that was identified as a road safety sponsorship. We are a major corporation in this province; we have an obligation like just about every other large corporation in this province to do its part to support and foster development in the community. What we were able to do with that donation to the Winnipeg Folk Festival was ensure that our donation—it was part of their capital campaign—but to ensure that our donation will go towards the improvements they're making to their site that will improve safety on the site, things like the bus loop, their efforts to have fewer people driving out to the site and more using public transportation, controlling access to the public transportation better so that there's less interaction with pedestrians and cars and cyclists. So we always do our best to bring forward our mandate to organizations like that, but this is our opportunity to provide a grant to an organization that's helping to foster the health and well-being and the growth and the quality of life in Manitoba. It's not the only one like that we've made; it probably won't be the last one.

Mr. Helwer: Can you tell me who made the request for that donation and what the process of decision-making was to award it?

Ms. McLaren: Like with most requests of this nature, it would come through the fundraising arm of the board of the Folk Festival. They—we have available on our website forms that organizations are obligated to complete if they're looking for funding and grants from Manitoba Public Insurance; they would need to complete that process, go through that process. We have staff that take a very critical look

at these things and do their best to determine if this makes sense within our sponsorship guidelines. It would then come to senior management who would make a decision whether to forward the recommendation to provide the support to the board, and it would be a decision of the board.

Mr. Helwer: Advertising, I take it is separate from promotion, but sometimes they go together. You have advertising and promotion, and advertising at various events that have often been defended as, we're advertising road safety, that type of thing, not MPI, because you are the only insurer, you're not—you have no competitors. And insure—advertising has been going up year after year, steadily increasing. Do you have any projections for new ad campaigns for the coming year?

* (20:30)

Mr. Chairperson: Mr. Helwer, time being 8:30, as previously agreed, what is the will of the committee?

Mr. Helwer: Might I suggest we sit for another 15 minutes and revisit at that time?

Mr. Chairperson: Fifteen. That's agreed? *[Agreed]*

Yes, go ahead, Mr. Helwer, yes. *[interjection]*
Oh, yes, Ms. McLaren.

Ms. McLaren: Generally, we produce and then run one new advertising campaign each year, but we run more than one media buy per year because we repeat our advertising campaigns more than once.

Mr. Helwer: Infrastructure—I guess not infrastructure, but property is something that an insurance company often invests in as part of their portfolio, and MPI owns several buildings and properties around Winnipeg and the province; 1745 Ellice is one that MPI has on their list, and it was originally intended to deal with the enhanced identity card service. What use is the building being put to at this point?

Ms. McLaren: We rent that space; we don't own that space. And we have staff from a few different departments work out of that building, so it is not really there to serve the public, but we have staff located there.

Mr. Helwer: So what type of programs are run out of this building, what type of staff?

Ms. McLaren: We have some of our project staff work there. We have—thinking on this—some of our research staff, some of our product development staff are working in that facility.

Mr. Helwer: And where were they located prior to this building?

Ms. McLaren: Some of them worked at cityplace and we were—we have relocated some people from other offices. We also rented office space on Kennedy for a few years; we've given that up and returned the space to the owner. Some of them moved to the Ellice location. So it's really—for the most part, the people who are there now, years ago would have worked either in cityplace or at the Kennedy rental space.

Mr. Helwer: And how long is the lease on this particular property, and is there a renewal?

Ms. McLaren: I believe we renewed it fairly recently for an additional three years.

Mr. Helwer: Can you give me an idea of the cost of the lease, the value of the lease, what other components there are in terms of operating?

Ms. McLaren: I'm not sure that's something that we're at liberty to disclose through the contract with the owner. Something we can look into, but—and I wouldn't have it off the top of my head, anyway.

Mr. Helwer: Cityplace is something I believe you do own, and I understand there's a renovation going on there of some \$3-million projection. Can you give me some details on that in terms of what that will entail, where you are in the process, and is it tendered?

Ms. McLaren: Yes, I can. The budget is \$3 million. The contract to do the renovation was certainly tendered, went to the lowest bidder. The work will take as much as 40 weeks. It is about to start within the next few weeks. It will involve new floor tile, new lighting, new paint, new design elements. We're also replacing both escalators. That's most of it, off the top of my head.

Mr. Helwer: What is the timing of the renovation program?

Ms. McLaren: As I said, it should be starting in the next few weeks and should run 'til next late spring or summer.

Mr. Helwer: So at this point, you're not into it yet, really, so it's indeterminate whether it's going to be on budget or not, and we'll have to revisit it at the next committee meeting, which—I anticipate you may not be with us. You never know, but, if not, I think I've—I'll hold off asking some other questions at this point and thank you for your answers to my

questions over the last several meetings and your service to MPI. You have a challenging job not only there, but answering questions from people such as us and listening to direction and non-direction from other government sources and answering their questions as well.

So you do, indeed, have a challenging job and I anticipate you may have some other things planned once you're all done here. But thank you for your time here this evening and for what you've done with MPI. I'm sure it's been an interesting ride.

So I'll leave it to other committee members if they have any questions or if Ms. McLaren would like to say anything.

Ms. McLaren: Thank you very much. I never would have dreamed I would ever end up with a job I loved so much, and there will be many things I miss about it. Thank you for your kind words.

Mr. Chairperson: Any other questions?

Seeing no other questions, I will now put the question on each report.

Annual Report of Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2010—pass.

Shall the Annual Report of Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2011, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: The report is not passed.

Shall the Annual Report of Manitoba Public Insurance Corporation for the fiscal year ending February 29, 2012, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: The report is not passed.

Shall the Annual Report of Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2013, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: The report is not passed.

Shall the Audited Financial Statement of Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2013, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: The report is not passed.

So kindly leave the report which is not passed.

The hour being 8:37, what's the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise.

Now, I'd like to thank and congratulate again Ms. McLaren for the fantastic job you have done for MPI and wish you a very healthy and enjoyable retirement. Thank you.

COMMITTEE ROSE AT: 8:37 p.m.

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