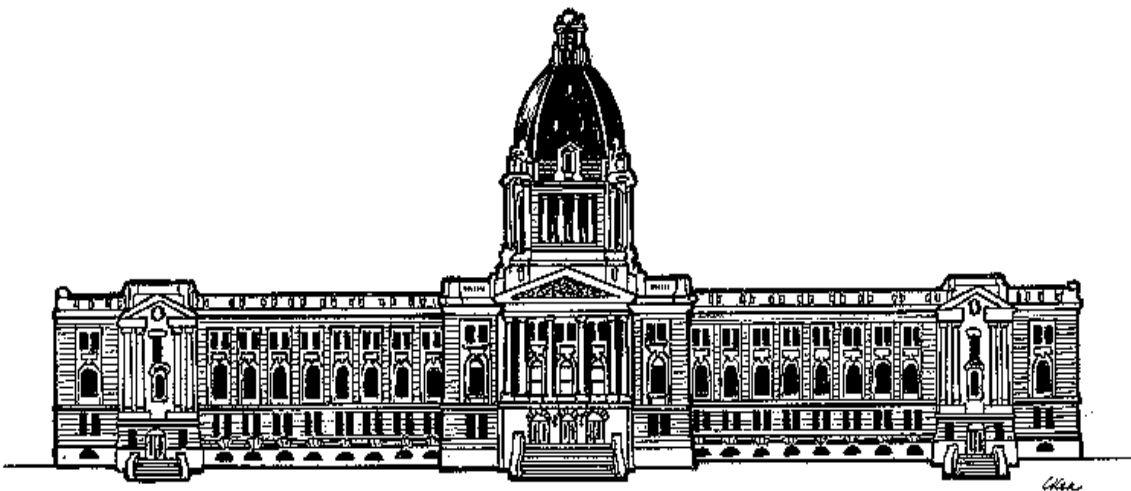




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Hansard Verbatim Report

No. 2 – April 28, 2004



Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
2004**

Mr. Graham Addley, Chair
Saskatoon Sutherland

Mr. Wayne Elhard, Deputy Chair
Cypress Hills

Mr. Dan D'Autremont
Cannington

Mr. Andy Iwanchuk
Saskatoon Fairview

Mr. Warren McCall
Regina Elphinstone-Centre

Hon. Maynard Sonntag
Meadow Lake

Mr. Randy Weekes
Biggar

The committee met at 15:00.

The Chair: — Order. I want to welcome the viewing public to the proceedings of the standing committee of Crown agency and . . . Crown and Central Agencies. This is in fact the first broadcast of this standing committee, which is the product of a series of very significant reforms to the Assembly. The reforms were put into place at the beginning of this legislative session.

By way of background, the reforms were worked out by an all-party committee over the course of the last four years. The changes are meant to strengthen the role of the members and provide increased public input into the legislative process. They are intended to help make the operations of the Legislative Assembly more open, accountable, and responsive to our citizens.

The biggest changes to the rules and procedures of the Assembly is the result of the creation of the policy field committees. This committee is one of the new policy field committees. The policy field committees are multi-functional and designed to monitor four broad sectors of government activity as well as the various Crown corporations.

The rules permit policy field committees to review annual reports, legislation after first and/or second reading by the House, budgetary estimates, regulations and bylaws, and to conduct inquiries. The committees may also conduct hearings in relation to inquiries in the review of legislation, regulation, and bylaws.

To help achieve the goal of making the Assembly more open, the proceedings of the policy field committees are broadcast on television and on the Internet.

Information on the business before the committee and upcoming committee meetings can be found on the Assembly's Web site at www.legassembly.sk.ca. It is the hope of this committee that you will find these proceedings of interest and will tune in often.

The item before the committee is review of the 2003 annual report of SGI (Saskatchewan Government Insurance). Before we begin, I would invite Mr. McCall to move a motion concerning hours of the committee. I recognize Mr. McCall.

Mr. McCall: — Certainly. Thank you Mr. Chair. That's quite the effect on the sound here. Anyway I would move:

That in accordance with rules 110 and 3(4) of the *Rules and Procedures of the Legislative Assembly of Saskatchewan* when this committee convenes during the hours specified by rule 3(1) for the daily meeting of the Assembly during the sessional period, it shall follow the Assembly's recess and adjournment times unless otherwise ordered.

The Chair: — It is moved by the member for . . . it has been moved by Mr. McCall, the member for Regina Elphinstone Centre:

That in accordance with rules 110 and 3(4) of the *Rules*

and Procedures of the Legislative Assembly of Saskatchewan when this committee convenes during the hours specified by rule 3(1) for the daily meeting of the Assembly during the sessional period, it shall follow the Assembly's recess and adjournment times unless otherwise ordered.

Is the committee ready for the question? Is this agreed?

Some Hon. Members: — Agreed.

The Chair: — That is carried.

Before we begin or as we begin, I would introduce Mr. Andrew Martens from the Provincial Auditor of Saskatchewan to introduce the auditors for SGI.

Mr. Martens: — Thank you, Mr. Chair. Just by way of introduction, I am the coordinator of our office's attendance at all your committee meetings, similar to our role at the Public Accounts Committee. So we will attend your committee meetings and assist the committee whenever you review reports of a Crown or central agency or a chapter of a report out of our reports that deal with one of those agencies.

With me today is Mr. Bashar Ahmad, who is the deputy provincial auditor within our office and leads our work at SGI. And also with us is Jamie Wilson, who is a partner at the firm of KPMG who is the appointed auditor for SGI.

I'll ask Bashar at this time to give our comments on the audit of SGI and related agencies for the 2003 year.

Mr. Ahmad: — Thank you, Andrew. Good afternoon, Mr. Chair and members. We have completed our work for SGI and the companies it owns and the fund it manages. In our opinion for the year ended December 31, 2003, we find a sustainment of SGI, SGI Insurance Ltd., Coachman Insurance Company, the Insurance Company of Prince Edward Island, Saskatchewan Auto Fund, and SGI superannuation fund are reliable.

SGI and its company, Saskatchewan Auto Fund and the superannuation fund had adequate processes to safeguard public resources and to comply with authority. And SGI, its companies and Auto Fund and superannuation fund complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Mr. Chair and members, during 2003, we also examined in detail the processes SGI used to manage its brokers. We concluded SGI had adequate processes to do so. Our 2004 report, Volume 1 will include the criteria we use to do this work and our detailed findings. That concludes my report. Thank you.

The Chair: — Thank you very much, Mr. Ahmad. I would recognize the Minister Responsible for SGI, Mr. Sonntag. I understand he has a brief statement before we begin our proceedings.

Hon. Mr. Sonntag: — Thank you very much and good

afternoon, everyone. I'd like to begin, if I could first of all, by introducing the SGI officials who are with me here today. Seated immediately to my right is our president Larry Fogg, immediately to my left is our vice-president of finance, John Dobie and to the far right here is our vice-president of claims, Earl Cameron. Also, I think, seated behind me back here is Maureen MacCuish, the assistant vice-president communications is also, as I said, in attendance.

We're here today, as you've indicated, Mr. Chair, to review the fiscal year 2003 for SGI and I'd like to begin by outlining, if I could, the results of the Saskatchewan Auto Fund. That's, of course, the compulsory auto insurance program administered by SGI on behalf of the people of Saskatchewan.

The Auto Fund posted a surplus of \$11.5 million in 2003 from a surplus of \$885,000 in 2002. This is the sixth consecutive year of surpluses from the Saskatchewan Auto Fund. In 2003, the balance in the rate stabilization reserve increased from \$2.8 million in 2002 to \$14.4 million. The fund operates on a break-even basis over time and a positive balance in the reserve helps to keep auto insurance rates low for all of Saskatchewan vehicle owners.

In a year where the auto insurance premiums rose by an average of 22 per cent across the country, SGI did not increase rates last year and has not done so since January of 2000. In fact, SGI's auto insurance rates remain among the lowest in Canada. This was accomplished in a year where the maximum discount provided under the Safe Driver Recognition program was also increased, putting \$22 million in premiums back into the pockets of Saskatchewan vehicle owners in 2003.

The news is also positive in the financial results of the competitive arm of the corporation, SGI CANADA, which sells property and casualty insurance. 2002 of course was a challenging year for all insurance companies across Canada and SGI CANADA was no exception. Poor underwriting results, increased reinsurance costs, and less than average investment income hit the entire industry very hard.

SGI CANADA met these challenges head-on and with a strategic business planning reported significant financial turnaround. SGI CANADA posted a consolidated profit of \$21.2 million in 2003, which is a turnaround of some \$30 million in just one year.

The good news stretches to each of SGI CANADA's subsidiaries — all companies on the competitive side of the business were profitable in 2003. I think most dramatically, Coachman Insurance Company made a profit of just over \$320,000 in 2003. Aggressive action was taken in '03 to turn a substantial loss into a profit at Coachman Insurance. The company expanded from a single line of auto insurance business to a multi-product company selling auto, property, and casualty insurance.

Auto insurance rates increase . . . Auto insurance rate increases of over 60 per cent were put through. Coachman cancelled unprofitable brokers and unprofitable business. It also transferred all support services to head office here in Regina. The 2003 results are a significant achievement and an indication of the expertise of SGI CANADA in the insurance business in

Saskatchewan and elsewhere in Canada.

As we move forward in 2004, I'm happy to report that SGI CANADA and the Auto Fund are both in solid financial positions.

I would now be pleased, along with my officials, to answer questions that your committee might have.

The Chair: — Before we do that, committee members, your Chair was so excited to get to the business before the committee, I skipped over a report by Jamie Wilson from KPMG.

So with the indulgence of the committee members, we'll ask Mr. Wilson to give his statement now.

Mr. Wilson: — Thank you very much, Mr. Chairman, committee members. We're appointed auditors of SGI CANADA, the Auto Fund, SGI CANADA Insurance Services Ltd., Coachman, ICPEI (Insurance Company of Prince Edward Island) and the SGI superannuation plan.

We've reported on the results of our audit . . . of each of these audits within the annual report and our auditor's report is attached to it. We concluded that the financial statements are fairly presented for the year ended December 31, 2003 and the results of operations and cash flows for the year then ended.

We're also required, under The Provincial Auditor's Act, to report on certain aspects of legislative compliance, the adequacy of internal control systems, and certain other matters within each of these entities to the Provincial Auditor's office. We have made those reports and concluded that internal control systems and legislative compliance was adequate for the year ended 2003. That concludes my comments.

The Chair: — Thank you very much, Mr. Wilson, well worth waiting for. The committee will open the floor to questions. Any questions? Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I'd like to welcome the minister and his officials here today. This is, as indicated, the very first committee hearing of this style under the new arrangements that we have in the legislature, and that's why it sounds perhaps so hollow; we're not used to it yet. And it's going to take a little time for all of us to become accustomed to the operation in the floor of the Assembly for the committees.

I guess one of the first questions that I would like to direct to the minister is: I wonder if he could describe to us what the essence of SGI is. What defines SGI as SGI?

Hon. Mr. Sonntag: — Well first of all SGI is, SGI is an insurance company here in Saskatchewan, owned by the people of Saskatchewan. It, I think, has evolved significantly over the last number of years particularly. While SGI has, and is, largely a monopoly corporation, it I think has found its business concentrated obviously here in Saskatchewan, but also with the possibilities of severe disasters in the province has seen what I think could be potential increased risk, and that's part of why the company's evolved into some diversification outside of the province, mostly to spread risk.

I think the essence of SGI, the real reason SGI was first incorporated as a provincial insurance company owned by the people of Saskatchewan was obviously to provide affordable service, much like our other Crown corporations, to everyone across the province at very competitive rates and at equitable and consistent rates for everyone across the province, irrespective of whether you lived in a large city or a small urban or rural community. And I don't think the creation of the corporation of SGI would be significantly different than any other one of the Crown corporations.

Mr. D'Autremont: — Yes, I originally started out I would suppose as an insurer for automobile . . . for auto insurance and the Auto Fund. Does the Auto Fund, is that the essence of SGI? Are the broader general insurance areas — house, you know, package policies, those kind of general insurances — are they the essence, are they what define SGI as SGI? I guess that's the direction that I'm looking for is, what is it that defines SGI?

You have part of the SGI family, Coachman Insurance that you've mentioned. You have the Prince Edward Island Insurance. Are those the things that define SGI as being SGI, or how broad or how narrow is that definition?

Hon. Mr. Sonntag: — First of all, SGI didn't actually start with the Auto Fund; it actually started on the competitive side. The Auto Fund, as I understand it, was sort of the next stage.

In some ways the question is a little difficult to answer. I think that it is fair to say that under the current scenario while there will be some evolving, the corporation I think as we indicated in the press conference at the time of the releasing of the annual reports, SGI right now essentially has all the work that we can handle. We don't anticipate sort of expanding much beyond what we have right now.

Although that is not to say that we wouldn't sometime into the future. But right now the arms of business that we have, I think, is essentially what you will see come out of this corporation for the time being.

And again I just re-emphasize, the rationale for having ventured into some other marketplaces was really about spreading risk for the corporation. We were just — and I think the staff would confirm this — we were just far too subject to any sort of provincial disaster. A large hail storm in Saskatchewan or a . . . any significant event like that would have clearly caused SGI significant problems.

In addition to that, many of the large . . . part of what has required us to seek revenues in other jurisdictions has been the movement away from . . . SGI essentially used to insure all of the . . . lots of the commercial areas in the province; small stores and commercial business. With the creation of large box stores mostly in our larger centres, lots of the smaller places are no longer there. And SGI doesn't have that insurance because those large box stores essentially have their own insurances and they've not chosen to go through SGI. And that has had some significant impact on the bottom line, and that's also probably the supplementary reason why SGI is doing business in other jurisdictions.

But to try to come back to what you asked at the very beginning

— the corporation — I don't see it as changing a lot in terms of the business it is going to do in the very near future, just because right now SGI essentially is . . . has all it can manage right now.

Mr. D'Autremont: — Well I guess what I'm . . . where I want to go is what is the item, the items, the business that is the essence of SGI? The PEI Insurance Company — was SGI only partially SGI prior to the acquisition of Prince Edward Island Insurance? Did that make SGI now completely SGI or is that a part of SGI that isn't an essential part of SGI's core operation?

Hon. Mr. Sonntag: — Well if I'm misunderstanding your question, I apologize, but I mean what makes up . . . What really comprises SGI or makes SGI is, as I described, is the Auto Fund — I mean that's really part of the core — and its insurance, residential insurance, on the competitive side.

But clearly the things that have happened with respect to risk and what has happened on, as I've said, on the commercial side have caused SGI and in some ways forced SGI to expand into some of the other markets.

So I mean I would certainly describe those three, those three areas as what SGI is right now. If I'm missing your question, I apologize.

Mr. D'Autremont: — Well I guess I'm wondering if Prince Edward Island Insurance was no longer a part of SGI, would that cause critical harm to SGI, that it would no longer be SGI?

Hon. Mr. Sonntag: — I don't think there's any one small one that would severely affect SGI. But I'm just advised here that all of these would be essentially seen and operated by SGI as branch offices, if you will. While one individual one might not affect them, I think it's also fair to say that the corporation would see the . . . each one of these investments, particularly in Atlantic Canada and in Ontario, as marketplaces that will be very advantageous to be into in the future for Saskatchewan.

Mr. D'Autremont: — So they may be advantageous but not essential to the existence of the corporation.

Hon. Mr. Sonntag: — I think in total, into the future they will become more and more essential.

Mr. D'Autremont: — Okay, I'd like to go to a quote from the House yesterday, April 27, from *Hansard*, to quote the minister of CIC (Crown Investments Corporation of Saskatchewan), the Hon. Pat Atkinson. She said, I want to assure the people . . . quote:

. . . I want to assure the people of this province that the way . . . the Government of Saskatchewan, the New Democratic Party government, is going to meet its promise is to make sure that those four major Crowns — SaskTel, SaskPower, SaskEnergy, and SGI (Saskatchewan Government Insurance) Auto Fund — remain in public hands.

There's nothing there that says PEI Insurance needs to remain with SGI. There's nothing there that says Coachman Insurance needs to remain with SGI — that's the essential part of SGI.

There's nothing there that says SGI CANADA needs to remain a part of SGI to be an essential part of the four major Crowns. Do you agree with the minister of CIC?

Hon. Mr. Sonntag: — Well you got two parts to the question. I mean I obviously agree with what the minister of CIC says, and I think you're asking a bit of a different question though.

With respect to PEI Insurance, I think all of these are complementary and supplementary and will become . . . to the parent corporation, SGI. But in terms of what has taken place, particularly on the commercial competitive side here in the province, I think it's absolutely essential, Mr. Chair, and committee members, that SGI continues to seek opportunities in jurisdictions like this because I just don't think there will be an opportunity, as much of an opportunity in the future, to sort of get into these marketplaces. And I think right now they have established a niche, an area that they can manage probably very well, and it certainly will be — as the annual reports indicate this year and our prospects in 2004 — be an opportunity for additional revenue for the people of Saskatchewan.

The Chair: — I recognize Mr. McCall. You had a question?

Mr. McCall: — Yes, I guess just while we're on the matter of spreading risk and you know what is the point in investments like Coachman or PEI.

Obviously there's been a lot of comment around Coachman, and I was wondering specifically — this is part of the risk-spreading efforts of SGI — what are the benefits in terms of premium gains, in terms of diversified revenue streams, in terms of even jobs for you know creating more business for SGI back in Saskatchewan to repatriate some of those jobs from external investments back to Saskatchewan?

I guess if you could give me . . . I know it's a bit of a broad-ranging request, but specifically, how does something like Coachman benefit the risk-sharing, risk-spreading efforts of SGI? What are the benefits in terms of premiums shares and what are the benefits in terms of increased work for people in Saskatchewan?

Hon. Mr. Sonntag: — Some level of detail and specifics . . . and I'm just going to ask our president to answer.

Mr. Fogg: — Yes, Mr. Chairman. The reasons we expanded outside the province of Saskatchewan were threefold. First of all, that's where we saw we could grow the business and make profits. Secondly, we had to spread risk. We have a 40 per cent market share in Saskatchewan; there's a limit to how much you can grow in this province. And thirdly, we wanted to create jobs in the province of Saskatchewan.

And in the cases of when we expanded into Manitoba, jobs were created in Saskatchewan. Certainly when we expanded into Coachman, the jobs — the administrative jobs, the finance jobs, the systems jobs — all came into Saskatchewan. And some jobs as well out of Prince Edward Island were created in Saskatchewan.

And with Coachman, when we bought Coachman it was a . . . it wrote automobile insurance only. We expanded that company

and we now write property business and all of that property business we write in the province of Ontario is written by underwriters located in the city of Regina.

So we've created 28 underwriting jobs alone as well as jobs in finance, systems, and at the same time we moved the investment portfolios into Saskatchewan, and are handled by Greystone, which is other Saskatchewan jobs. The auditing is now done by Saskatchewan firms. It's done for those three reasons: spread of risk, create profits and expand the business, and create jobs in the province of Saskatchewan.

Mr. McCall: — I guess if you could talk about specifically the . . . you know, from the outset of the Coachman investment — I was wondering if you could talk about what the situation was this year. And certainly the minister touched on it in his opening remarks, but there's been a fairly significant turnaround in the status of that investment, and I was wondering if you could expand on that a bit.

Mr. Fogg: — Currently there is difficulties in all provinces with private sector auto, there's no doubt about it, including the province of Ontario. It's had its problems. And Coachman was a profitable company before we bought it. It had a major loss in 2002 and yes, we clearly had to take some actions, and we did. We increased the rates by over 60 per cent. We added the property lines. We cut the unprofitable brokers. We got out of the taxi business. We moved some jobs into Saskatchewan. And our rates were the highest in the province of Ontario, higher than the facility. And so as you would expect, some business ran off which is not necessarily a bad thing.

But with the profitable property business we have there now and now we've got the auto business — the rates, we think, are right — we're in a good position to be profitable; certainly more profitable in 2004 than we were in 2003. So I think we've got it going in the right direction now.

Mr. McCall: — I guess I'll concede the floor from this point.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you, Mr. Chair. Obviously, Mr. Fogg, you're retiring in June and you've given a lot of great service to the people of Saskatchewan in the work you've done with SGI; you know, going out as the CEO (chief executive officer).

And I'd just like to say congratulations and best wishes for your retirement and to say thank you for the work that you've done for the people of Saskatchewan.

Mr. Fogg: — Thank you. It's been a pleasure to work at SGI.

The Chair: — Hon. members, we've had a request by Ms. Harpauer to ask a question and the rules permit non-members of the committee to attend and ask questions by leave of the committee. And as Chair, I've been attempting to keep track of generally different sides so all members have an opportunity to ask questions. So if Ms. Harpauer has a question, she would have to request leave by the committee to do that.

Mr. Taylor, did you have a comment?

Hon. Mr. Taylor: — I certainly support the rule that any member can ask a question with leave of the committee. And as a member of the committee, I would certainly provide that leave if it were asked.

However I think it is important that all members of the committee be asked if they have any questions before any non-members of the committee ask for leave to ask questions to ensure that those who are active members of the committee have a chance, before the clock runs out, to get their questions in before non-members of the committee are asked to ask for leave.

The Chair: — Are there any members that have a question or . . . Basically, we can go to current members or we can go to the non-member who can ask for leave and leave can either be granted or rejected. Mr. Weekes?

Mr. Weekes: — Yes. We have discussed this and we would like the non-member to be able to ask her question at this time, if leave is granted.

The Chair: — Leave has been requested to have . . . to permit Ms. Harpauer to ask questions. Is leave granted? Mr. Taylor?

Hon. Mr. Taylor: — May I ask one question before granting leave as . . . My question would be just how much time did the member feel she required?

Ms. Harpauer: — That would depend on how long the answers took.

The Chair: — Okay, well I'll start . . . As Chair, I'll enforce the rules. The member, Ms. Harpauer, has requested leave to ask questions. Is leave granted?

Some Hon. Members: — Agreed.

The Chair: — Leave has been granted. Ms. Harpauer.

Ms. Harpauer: — Thank you, Mr. Chair. These are all questions asked by the constituents, so they're specific issues.

The one question that I've been asked is who SGI is allowed to give information to, as to if they have a licence number. Who are they allowed to give the information as to the name and address, phone number of the person that has that licence?

Mr. Fogg: — When the freedom of information Act was first introduced, we adhered, in our opinion, to provide little or no information to anyone. And the Privacy Commissioner . . . we had . . . Certainly we had calls from parking lots who wanted that kind of information. So we rejected that and we didn't provide it, and the Privacy Commissioner overruled us and we still didn't provide it. And then we went to court and still didn't provide it. And then it went to Court of Appeal and finally Court of Appeal insisted that we provide that kind of information.

So there's a number of groups that we do provide that to. Certainly Impark, city of Regina, commissionaires, that type . . . those types of groups. And they for the most part will have contracts with us and they have to specify what they need that

information for, and it has to be for the use and operation of a motor vehicle.

Ms. Harpauer: — Thank you. The second constituent issue, actually I've spoken to the minister about it and he hasn't had time I suppose to get back to me.

A constituent had taken . . . He owns a business and has a number of registered with licence and insured equipment and vehicles. He took a bundle of his renewals into his local agency and asked for them to be renewed. A total amount was given to him and this package was stapled together. And so he paid that amount and left.

He was since in an accident and found out that his truck that was included in the number of vehicles that he renewed wasn't indeed renewed. Does the insurer bear some responsibility for that mistake?

Mr. Fogg: — If the issuer or broker made an error initially we would . . . technically there would be no coverage. But in those kinds of cases if the issuer made an error, we would for the most part provide coverage. It depends on the circumstances but if it was an issuer error we would make the payment, yes.

Ms. Harpauer: — What steps would you recommend to this fellow to pursue that? Right now he's being told that he's simply not covered. He's not sure what process he can use in order to have this looked at to see if the insurer had some responsibility.

Mr. Fogg: — I would recommend if we're talking about . . . this is a claims payment that we haven't made that he would . . . that he attend the claims centre where he took his claim, speak to the manager, and the manager would then contact . . . There's some forms the manager would fill out, the manager would then contact us, and we would make a decision whether or not we felt that claim should be paid.

As I say, if it's an issuer error, for the most part we would pay that claim. If the customer just simply failed to renew then we would not. So we just have to look at it. So I recommend you talk to the claims manager.

Ms. Harpauer: — Thank you, the third and last final . . . sorry.

The Chair: — Mr. Sonntag.

Hon. Mr. Sonntag: — Thank you. Just for your information as well — just so it's on the record — there will be as I understand it, a hard copy response under my signature coming to you shortly dealing with this, just so you'll have some hard copy information specific about this.

Ms. Harpauer: — Thank you for that. The third and final issue that I have again is another constituent. If a Saskatchewan driver — so he's got insurance through SGI and his plates are through SGI — is in an accident out-of-province and the accident was not his fault, does SGI assist him in any way to ensure that he gets coverage from the company of . . . from the out-of-province driver?

Mr. Fogg: — If it is not our customer's fault, of course at that

point he is out the deductible for the most part. And we would try to recover from . . . We would pay everything except the deductible. We would try to recover our . . . what we paid from the at-fault party's insurer and at the same time we would try to recover our insured's deductible. So we would try to recover it all, and we would try to assist him by getting that money.

Ms. Harpauer: — If this particular fellow is very frustrated and feels that SGI hasn't been assisting him, is there some avenue that I can direct him to because this has been . . . actually it's not even new any more. Yet he has documentation that the accident wasn't his fault. It was in Alberta. And the Alberta driver has a private insurance company, and they're resisting paying. And he really doesn't know what recourse. So is this a file that I could send to your office, and I'd be assured that it would be looked at. And I could . . .

Mr. Fogg: — If you send it to our office, we would certainly look at it. As I say, we would . . . at the same time we're trying to recover our money, we would try to recover the insured's deductible. So if you send it to our office, we'll certainly have a look at it.

Ms. Harpauer: — Okay, thank you for all of that. And I have no further questions.

The Chair: — Thank you. I have recognized Mr. Iwanchuk.

Mr. Iwanchuk: — Thank you, Mr. Chair. I'd first like to echo Mr. McCall's words regarding Mr. Fogg's retirement and his service, outstanding service you might say.

And my questions would be around the . . . toward coverage. There have been a lot of discussion in the last year and to date regarding public auto insurance. But just perhaps a . . . just some direct questions in terms of the number of residents that have opted for the tort coverage.

Mr. Fogg: — I believe it's about 4,700 and . . . 4,187 at the end of the year.

Mr. Iwanchuk: — That figure doesn't sound like a large number. Do you have any comments on that?

Mr. Fogg: — Well what is important here, I think, is that we have provided the motorists of Saskatchewan something that is unique anywhere in North America. They have a choice between a no-fault product and the other choice is a tort product, which was called the premier option. It was recommended by the committee against no-fault. And they've been provided with a fair bit of information and have made their choice . . . (inaudible) . . . have decided to stay with no-fault, and I don't know if I'm surprised by that or not. We just didn't know what to expect.

Mr. Iwanchuk: — As a result is there any thoughts about raising the cost or the rates?

Mr. Fogg: — The intent always was that when we had a significant number of people in both programs, we would look at a separate rating for both programs. But since the number in the tort program is so small and any sorts of large claims would distort the results significantly, we felt at this time and until

there were more people opting for the tort product, we would continue to offer similar rates, exactly the same rates for both products.

Mr. Iwanchuk: — Have you given any consideration about just going back to straight no-fault?

Hon. Mr. Sonntag: — I think that's probably more of a policy decision, and I think it's more appropriate that I answer that question. I think it's fair to say that we have not considered that. We think that this has worked very well.

Any time that you are able to, I think, afford . . . can afford first of all financially the opportunity to give choices to the public, I think that's important that you do that. I think this has worked . . . I don't want to say better than we expected, but I . . . maybe that is fair to say that. And for that reason I don't think there's any good reason why we would want to take that choice away from the public at all, and so there is no contemplation whatsoever of taking away the choice and going back to a straight . . . just a single no-fault option.

Mr. Iwanchuk: — Just to follow up on that in terms of that, is it . . . do you consider it more expensive for SGI to administer the two programs?

Mr. Fogg: — No, it isn't. We have always had to have a unit that looked after tort claims because we had a number of tort claims coming in from other provinces, particularly Alberta, and so this has had no major effect. We certainly haven't incurred any administrative costs to run this program.

The only additional cost we had was when we had to provide information to the public some years ago informing of the options and explaining both programs to them, but as far as the administration, no, not at all — no additional costs.

Mr. Iwanchuk: — Okay. Thank you, Mr. Chair.

The Chair: — I see that Mr. Toth would like to ask a question. Is leave granted by the committee for Mr. Toth to ask a question?

Some Hon. Members: — Agreed.

The Chair: — Leave's granted.

Mr. Toth: — Thanks, Mr. Chair, and to the officials. Actually a question just came up today, so I thought what a good time to raise the point.

And as you are aware on both sides of the province, when you get to the border you've got businesses moving back and forth. And businesses in this case happens to be an individual who moved from the Manitoba side a number of years ago and resides in Saskatchewan, has a commercial business but does business opportunities on both Saskatchewan and Manitoba. And he's informing me that he is required now or has found that he needs a specific plate licence to do . . . if he goes out of the province of Saskatchewan or he could be ticketed for not having the appropriate licence.

When he was in Manitoba, the understanding I had is that when

he went and registered his vehicle, his commercial vehicle like his business, and was called out to a job — say, on the Saskatchewan side — that he didn't find it to be a problem. Now he understands, as he goes to register his vehicle here, he is required to carry an upgraded licence of some kind versus just a regular commercial plate.

So I'm just wondering, can you fill me in on what the differences would be? Is there something regarding recognition between Manitoba and Saskatchewan . . . what Manitoba's requirements are? Are ours different than Manitoba's or vice versa? I wonder if you could . . .

Mr. Cameron: — I'm not certain of the specifics, but I would think that Manitoba's requirements may be different than ours. Without knowing the details, I don't know much more to say. But he would have to abide by whatever the rule is in their jurisdiction, when he travels in there, the same way commercial vehicles coming from other provinces have to abide by the rule here when they arrive.

Mr. Toth: — Well as I understand it, he's actually plating his vehicle in Saskatchewan. If he goes in to . . . just puts a regular commercial plate on for his business, as he would do transactions in Saskatchewan. But because he's close, he has business opportunities in Manitoba. When he drives across the border, he's explaining to me that he actually could be ticketed because he's not carrying an appropriate licence. And I think as he explained it, he would not be covered by insurance — Saskatchewan insurance — when he drives across the border.

Are you aware of anything, any requirements in this province, that you need to upgrade? Or is it a request that comes by the Manitoba government regarding the licences you issue to individual businesses in border situations of this nature? And is there such a thing as a pro-rate licence or plate that you'd have to carry, versus just a straight commercial, if you happened to be doing business back and forth?

Mr. Fogg: — Well if you're travelling from province to province and you belong to the international registration plan, which some of them do, you base plate in one province, Saskatchewan for example, and you pay registration fees in Saskatchewan. And the registration fee is then divided up amongst all of the jurisdictions in which you travel, based on the mileage that you travel.

But I'm not aware of anything in particular with Manitoba. I mean if he has a Saskatchewan-plated vehicle and he's in the proper class, he would have insurance coverage whether Manitoba thought he should travel or could give . . . Or if he was in some moving traffic violation, he would still have insurance coverage.

We just have to look I guess at the circumstances, and maybe we could give you an answer in that particular case. But I'm not aware of anything unusual with the province of Manitoba.

Mr. Toth: — And I think . . . and I guess that's my problem too. I'm just trying . . . that's even asking the question today, was just trying to get a better understanding, so I can get back to this businessman in the Moosomin area. His business is actually air conditioning, so he does air conditioning service.

He gets called out.

Moosomin being as close to the Manitoba border as it is, you tend to get called in to Manitoba on lots of occasions. We do all kinds of trade. And you know, you're quite well aware, but I was quite surprised too when he . . . because it would just seem to me if he's got his commercial plate on his van that he's using, that if someone calls him in to, say McAuley, Manitoba, and he drove in to McAuley, it wouldn't be a problem, that he would be covered. It was my understanding what he was indicating that he doesn't have that coverage. And I'm not aware of anything of that nature.

Mr. Fogg: — No. If he is properly plated, properly registered in Saskatchewan and he went into Manitoba, I can't think of any reason he would not have insurance coverage. And if he wanted to contact us directly or perhaps you want to contact us directly with his situation, we'd certainly look into it and be able to better answer that question.

Mr. Toth: — Well I appreciate that and I'll do some more research. Like I say, it just arrived. I was just trying to do some, find out a bit more and see if we can get a better understanding of where things are at. And I'll just move away from the technical questions for the time being. Thank you.

The Chair: — Mr. Taylor.

Hon. Mr. Taylor: — Thank you very much. A number of questions that I have with regards to the Auto Fund . . . But just for the sake of those who are tuned in today and seeing this process for the first time and may not fully understand the difference between SGI CANADA, the operations of SGI and the Auto Fund — my questions are primarily the Auto Fund — could you describe briefly how the Auto Fund works and how it functions separately from SGI, other operations?

Mr. Fogg: — SGI, under the legislation, administers the Auto Fund on behalf of the government. And the Auto Fund is a universal, compulsory insurance program. It's universal that we have . . . inasmuch as we have to take everybody and it's compulsory they have to insure with us so . . . And its intention is to break even over time. The government puts no money in to, or takes no money out. And it is essentially a trust fund for motorists.

When you plate your vehicle, you receive certain benefits. You receive a \$200,000 liability coverage. You receive injury benefits, and you receive coverage for your vehicle subject to a \$700 deductible.

The rating for the Auto Fund is based on the type of vehicle you choose to drive and on your driving record.

Hon. Mr. Taylor: — Okay. The Auto Fund will, I'm assuming, post surpluses some years, and other years it may not. It may incur a deficit. Is that correct?

Mr. Fogg: — Yes, it is. The intention is to break even over time. And you're absolutely right; some years it'll be profitable, and some years it'll have losses. But the intent is that it will be essentially at a break-even point.

Hon. Mr. Taylor: — And recently the Auto Fund has posted surpluses, and as a result there has not been any need for a rate increase. Is there any particular reason how it is that we've been able to post increases in surplus and not having had to raise rates for Saskatchewan drivers?

Mr. Fogg: — There's a number of reasons the, as I say, the Auto Fund admin costs are probably the lowest in all of Canada.

The investment earnings have improved over time.

And the major factor in rating is claims and, as you might expect, damage claims for the most part because the number of vehicles over the years doesn't change dramatically. On average the number of damage claims won't change dramatically. Injury claims have been pretty consistent, about 6,500. So the number of claims doesn't change over time too dramatically. What changes is the average cost per claim, which is increasing. But with the investment income and in some situations in the past we had over reserved some of the injury claims — the money we had set aside to pay injury claims was more than we required — and so that has been drawn down into income.

So we've been able to not only post surpluses; we have in fact with the Safe Driver Recognition program reduced rates over the last few years. So in Canada where we're reducing rates, on average private sector provinces increased rates 22 per cent last year. So yes, the Auto Fund is doing very well.

Hon. Mr. Taylor: — Obviously attributed to good management, understanding of the industry, understanding of practices in the province. But I think we are, we are one of the lowest cost, auto insurance, service deliverers in the country, are we not?

Mr. Fogg: — Manitoba and Saskatchewan are clearly the two lowest, have the lowest auto rates in all of Canada. Some years it's Saskatchewan; some years it's Manitoba. I believe Manitoba have just put through a rate increase, so I suspect we would be the lowest. We would have the lowest rates in all of Canada at the present time.

Hon. Mr. Taylor: — In Saskatchewan all matters are often compared to Alberta as far as our economy is concerned. Alberta has amongst the highest auto insurance rates in Canada. Do you have any opinion on why such a large difference between Alberta rates and Saskatchewan rates?

Mr. Fogg: — There's two reasons in my . . . well, two reasons, I think. The Auto Fund is non-profit. The Alberta system, of course the private sector insurers are trying to be profitable. Our admin cost is significantly lower. We don't have to . . . because we're a compulsory program, we don't need to do a lot of advertising. And because we're universal, we don't need a lot of underwriting . . . (inaudible) . . . Our admin costs are lower. And thirdly, we have a no-fault system for the most part, and they have a tort system. And no-fault systems, generally speaking, will result in lower claims costs.

Hon. Mr. Taylor: — One last question and not to abuse the time of the committee, just in terms of comparing to Alberta and the huge difference in rates, especially for young drivers . . .

We hear, those of us who are on the west side of the province often hear coffee row stories. I'm just wondering if there's any truth to any of those stories about . . . we have to be vigilant, that Alberta residents are often trying to plate their vehicles in Saskatchewan to reduce their costs. Is there any truth to those rumours?

Mr. Fogg: — I suspect there are a number of situations like that. Somebody said if you go to Medicine Hat you'll see more green and white plates than you'll see red and white plates. There are a number of people who — especially young people — who would like to plate their vehicles in Saskatchewan, and yes, we have to be vigilant. And we now have to, when individuals come to plate their vehicles in Saskatchewan, we have to ask them where that vehicle is located because many times . . . and to be fair, the rules on residency are confusing on where a vehicle should be plated. So yes, we are vigilant and yes, people are trying to plate their — what should be Alberta-registered — vehicles in Saskatchewan.

The Chair: — Hon. members, before I recognize Ms. Eagles I just wanted to compliment members of the committee. I've been keeping a running tab, and there's obviously some self-regulating going on. Other than the first member, we have all been within one minute of each other in the questions and answers, so keep up the good work. I wasn't pointing out you, Mr. D'Autremont, but now I was. Ms. Eagles.

Ms. Eagles: — Thank you, Mr. Chair. I guess just with respect to the question asked by the hon. member opposite when he asked about people from Alberta coming to Saskatchewan to plate their vehicles, and, Mr. Fogg, you said you suspect there are. How many, how many have done this?

Mr. Fogg: — How many are there? That I wouldn't know. The only time we would know that is when they have a claim and we determine that they're improperly registered; and they should have been registered in Alberta. We have tried to take steps to prevent that.

Now as I say we are more . . . When somebody comes to register a vehicle, we ask more questions about that vehicle and where it's located. But there still are — and I don't have the exact number — a number of claims that we deny because they're improperly registered. They should have been registered in Alberta.

Ms. Eagles: — Okay. So you don't have a figure as far as claims being rejected, and so you really don't know for sure that this is taking place. Is this what I can assume from that?

Mr. Fogg: — No. I know for sure they're taking place because I'm denying claims. And I know for sure that they're trying to register the vehicles and perhaps registered them improperly the previous year. But we have, as I say, put some questions in place that would protect us from having these vehicles because we certainly don't want people to register their vehicle improperly and us having to deny their claim. Because it's not something we want to do, and it's not something that's in the best interest. So what we try to do is make sure they are properly registered in the first place. And we've done a better job of that, and so we're having less frequency than we used to. But we're still having some claims that we're denying.

Ms. Eagles: — Okay. I would really like to have some proof of this happening rather than just suspicions. So, I mean, if you could get me a figure as to how many claims have been rejected, I would certainly appreciate it.

I'm going to switch over to utility rates, and I would like to ask the minister if he has been directed by the Premier to keep these utility rates as low as possible, just your SGI rates.

Hon. Mr. Sonntag: — You're talking about SGI rates as opposed to utility rates? Okay, thanks. Well the Premier made the announcement and commitment last fall, I think. Last September as the CIC minister at the time I was present, and there is a commitment on behalf of government. So if you're asking, did he specifically direct me personally — no, he did not, but the decision was made by government that this was a policy that we would put in place.

Ms. Eagles: — So that means that SGI's bottom line would be to keep the Premier's election promise of the lowest utility rates in Canada?

Hon. Mr. Sonntag: — Yes, but don't . . . I guess don't — again this gets a bit complex — but don't confuse, as is easily understandable, an issue that the public often gets mixed up as well. The Auto Fund and revenues in the corporation are two separate and distinct revenue streams. So as the president of the corporation indicated and what the bundle applies to, what the Premier was talking about, is insurance rates; which does not affect — just for clarification — does not affect the bottom line of the corporation.

Ms. Eagles: — Okay. Just a moment ago you, in your opening remarks in fact, Mr. Minister, you stated that large hailstorms would cause significant problems for SGI. Am I correct?

Hon. Mr. Sonntag: — Yes.

Ms. Eagles: — Dare I say, a little bigger problems than investments like Coachman Insurance in Ontario with a loss of \$11 million? It seems that the government is more willing to risk out of province than risk or invest in people of this province.

Hon. Mr. Sonntag: — I think that's . . . You know, it's a very good question and one that is really a difficult one to defend and answer. But the truth is that I think the decision of SGI is — as a corporation — to make an investment like that is the right decision. And while it's difficult to defend, often good decisions can be difficult to defend.

The rationale for the corporation was something to do with revenue, but it had a lot more to do, as I indicated, with spreading risk. And for SGI, you are absolutely correct in describing what I said, if there . . . Two things have happened. With SGI being sort of the largest insurer, if there was one single incident in the province it could have a severe impact on SGI's bottom line. The other thing that has occurred in the province, as I've indicated, is on the commercial insurance side where there are many more box stores coming up, in the larger centres particularly, and SGI used to insure the smaller stores which are sort of slowly closing even in larger centres, moving into the larger box stores. And those are no longer insurers of

SGI . . . or they don't insure through SGI.

So SGI was first of all looking to spread risk but also to seek revenues in other jurisdictions. I guess in hindsight, moving into the insurance market in another jurisdiction in a year when no one could know that 2000 and 2001 would probably be the worst two years in the insurance industry probably in North America, it would make an investment like that look like not such a good investment.

I think, having said that though, with the turnaround generally in the insurance world, you've also seen SGI CANADA see a remarkable turnaround in those investments. And I suspect in future, in future coming years that those investments will prove to be very smart decisions.

Ms. Eagles: — Well just a comment, Mr. Minister. I guess what I would like to say is that, you know, if the diligence is done to ensure that they are good investments before they become investments, you know, that's okay. But it's when we're investing in one bad thing after another that causes me, and I'm sure every taxpayer in this province, some concern.

So with that, I thank you very much for your responses.

The Chair: — Were there any other members that wanted to . . . Oh, Mr. Sonntag, did you have . . .

Hon. Mr. Sonntag: — I just don't have it at my fingertips here, but maybe one of the officials can answer it. Just in response, like because I . . . And again, those are fair questions that you asked. They really are and ones that the public, as I've indicated, have asked many times.

With respect to sort of due diligence and third party analysis as well, on the particular investment in Coachman, there was a third party analysis done on that in the last . . . in 2002, I think it was.

Mr. Dobie: — In 2002, there was a third party review that was done, participated in with an actuary from Towers Perrin, Brian Pelly.

The Chair: — Oh, Ms. Eagles.

Ms. Eagles: — Could I just ask a supplementary and that's that you table that report?

Hon. Mr. Sonntag: — I'll have to check that. I would assume most often those are internal documents. I'm not sure that we can. But whatever information we could provide for you, we will.

The Chair: — Mr. Taylor, did you have a question?

Hon. Mr. Taylor: — Yes. Another question just coming on the basis of Ms. Eagles' line of questioning with regards to Coachman and investments. And she specifically referred to 11 or \$17 million loss for Coachman two years ago. I've been on the personal financial planning business for years and I have advised clients against responding to individual year up and downs in the marketplace on RRSPs (Registered Retirement Savings Plan) and personal pension plan activity and all of the

rest.

It's very easy to point to a loss in any given year, but as I understand it, that \$17 million loss has turned into a \$320 million gain in the past year, that \$320,000 . . . Oh yes, I'm sorry, \$320,000 profit. So to go from 17 million in one to a profit in the other is quite a leap. It's seventeen plus a million dollar turnaround in one year. So a \$320,000 profit in the annual report of 2003.

Is this turnaround driven simply by market conditions or were there administrative matters that assisted in the turnaround — the significant turnaround — in Coachman? And a supplement to that while I've got the floor, is this turnaround anticipated to be sustainable?

Mr. Fogg: — It was done, first of all, by rate increases. I mean we put . . . The problem in the auto product was the rates were inadequate. We put the rates up where they should be. We got rid of the unprofitable lines of business; we got rid of the unprofitable brokers; we added in profitable property business and we reduced the administrative expenses in Coachman by taking some of those functions and moving them to Saskatchewan.

So we believe now we've got the rates right. No question that the auto business is still a challenge but that part of the business is not growing. What is growing is the property business that we're writing from Saskatchewan in Ontario. We've got the administrative costs down where they should be. And I think, yes, it'll continue to be profitable for years to come.

Not to say that some years there may be a loss, but for the most part that will be a profitable book of business.

Hon. Mr. Taylor: — Good. Thank you very much. In the opening remarks the minister indicated in answer to Mr. D'Autremont's questions that the investments that we've made in this regard, there's nothing else on the books. In other words we're not planning on acquiring any other corporations or companies.

My question is not to question the minister but just to the president, Mr. Fogg. Can you elaborate on that just a little bit? Is it indeed, in the coming year, it's not the intention to proceed with further out-of-province investments?

Mr. Fogg: — I don't believe that it's necessary now to purchase any additional insurance companies. The reasons we purchased the companies that we did in the Maritimes and in Ontario is they had specific skills and specific markets that we didn't have. And where we wanted to go was Alberta and Manitoba. But when Alberta would not let us in, then we had to go east, and we simply didn't have a lot of expertise in writing private sector auto, so we had to purchase some companies that had that expertise.

Now that we're in Ontario and the Maritimes and we can offer our property products through those brokers that we purchased there; we have all sorts of room to sell more and more business. And the only thing holding us back from writing more property business is we don't have enough skilled underwriters in Saskatchewan at this present time to put that business on the

books, which is very profitable business. So there is no . . . I can't see anything . . . any need to purchase another . . . to make another investment for many years to come. We have all sorts of room to grow there.

Hon. Mr. Taylor: — And then one last question just off of what you just said. Just to clarify, did I hear you correct, that the private-sector-loving Alberta would not allow Saskatchewan insurance to invest, and is that still the case? Do we have an interest in going into Alberta and what is it that's preventing us from seeking activity in that market?

Mr. Fogg: — At the present time Alberta has legislation that prohibits any insurance company operating public sector insurance from selling insurance in that province.

The Chair: — Mr. Weekes.

Mr. Weekes: — Mr. Chair, welcome to the minister and his officials. Just a couple of comments concerning Coachman and those types of investments. I guess I just wonder, are the expenses being reported accurately from those other investments to those particular identities. And just also as a bit of a supplementary, when we're looking at profits, has the stock . . . dramatic changes in the stock market and the exchange rates had an effect on SGI as a whole and those particular operations in particular?

Mr. Fogg: — The stock markets would have a major effect . . . has a major effect on SGI CANADA in particular and the Auto Fund, less so on Coachman and ICPEI because they're investment portfolios are smaller. And in the case of Coachman, I believe it's all in bonds and so the stock market wouldn't have any effect on it. But generally speaking, yes, the stock markets have a major effect on insurance companies in Canada.

Mr. Weekes: — So the profits in Coachman in particular, would a lot of that have become profits because of the stock market, improvements in the stock market?

Mr. Fogg: — Yes. Yes, you're absolutely right. What happens over time is insurance companies make money in two ways — from premiums and from stock markets. And when the markets are good and going up, insurance companies are willing to write business at a loss to get their premium in to invest it. And that's what all insurance companies did.

And when the stock market went down in '01 and '02 and the insurance companies were not charging the proper price, then they had — the industry and SGI as well — did not have very good years in those two years. Now we're charging the proper rates and the stock market is coming back and yes, SGI CANADA and the industry across Canada is doing very well.

Mr. Weekes: — Back to my first question concerning the reporting of expenses. I guess the question by my colleague was, what is really the essence of SGI and what's considered the core business and outside the core business? Are these, businesses like Coachman, would some of their expenses now be reported under SGI as a core and not being reported under Coachman, which would allow Coachman to show a profit?

Mr. Fogg: — The Coachman expenses I think . . . In fact I

think if you'd look at the expenses in Coachman, they may even have gone up last year because we had some additional expenses there.

But no, when we took . . . Some of the functions we took out of Coachman and moved to Saskatchewan. But because we have an infrastructure here, a computer system for example, that can write a lot more business than it's doing, we can put those premiums on the books at very little additional cost. The additional costs that we incurred were underwriting the property business in Ontario and we are charging the proper administrative costs for that work to Coachman.

Mr. Weekes: — That's the question I guess, is some of the support services that would be done by SGI CANADA, that would not be considered an expense to Coachman.

Mr. Fogg: — What you can argue or people can argue is my salary, for example, which is all charged to SGI and to the Auto Fund, and none of it is charged directly to Coachman. But with the addition of Coachman, my salary didn't change any. So you've taken in the, more the incremental costs than all of the costs.

Mr. Weekes: — Just another question. How many people at SGI would be working, well, maybe not for Coachman and PEI, but on their behalf or dealing in that area?

Mr. Fogg: — There would be 28 people that would directly be writing business for . . . in Manitoba, Ontario, or the Maritimes.

Mr. Weekes: — . . . and they would be . . .

Mr. Fogg: — . . . directly doing Coachman, ICPEI, or SCISL (SGI CANADA Insurance Services Ltd.) business.

Mr. Weekes: — And their wages would be applied to SGI or . . .

Mr. Fogg: — Then their wages, they're applied to Coachman or ICPEI or wherever they're working on.

Mr. Weekes: — Mr. Minister, I guess it's interesting that Mr. Fogg spoke of his salary. My other question was concerning Mr. Fogg's departure, I believe you said in June. Just a question on the hiring process that will take place for his position and other positions in senior management, if they come open.

There certainly have been a concern by a number of people that the process was not competitive and transparent, and I was just wanting a . . . Mr. Minister, could you explain the process of filling these senior management positions in SGI?

Hon. Mr. Sonntag: — Well first of all let me say I don't think we can probably ever refill Mr. Fogg's position the way he's done it.

But probably, the question is more appropriately directed to the Chair of the Crown Management Board, but let me just try and answer generally. The process has just, just begun as I understand it, and it includes a regular . . . The board is now engaged, the SGI board is now engaged and is beginning a search for a new CEO. And the specific details, I'm not able to

provide for you, but I think you could ask that question of the Chair of the Crown Management Board.

Mr. Weekes: — Are you making reference to a company being hired or engaged to find individuals to take these jobs or is this being done by CIC?

Hon. Mr. Sonntag: — No, I'm not making reference to that specifically. That might well be the case, but right now as I am aware, the SGI board is just beginning the process. And whether they employ specifically somebody involved in a search, that will be up to the board to make that recommendation. But to get specifics, if she's able to provide that, I'm sure the Chair of the board would be happy to answer that for you.

Mr. Weekes: — You're saying CIC board will be making those decisions, not SGI board?

Hon. Mr. Sonntag: — I hope they're both working together.

Mr. Weekes: — Just another question on affirmative action and hiring practices. Is there a process in place for hiring in SGI as far as affirmative action, and is it across the board? Is the rules the same across the board for all different levels of employees?

Mr. Fogg: — Do we have an employment equity program in place, is that your question? Yes. Yes, we do. And in fact I believe we have . . . I believe it's in our annual report. You might even see how our target and how we're reaching it. And we have a very active program, and I believe we're one of the more successful Crowns in hiring of target group members.

Mr. Weekes: — Thank you.

The Chair: — Mr. McCall.

Mr. McCall: — I guess just with reference to one of the questions asked by the previous member. I guess it's just to start off and then I'll shift gears, but it's a question of clarification I guess for the representative here from KPMG.

Now on a number of . . . With regards to the external audit and are things expensed correctly and so on, in . . . you know, to pick the Auto Fund's annual reports in terms of the documentation that is provided to us at this committee, just to cite the statement from the Auto Fund's annual report, but there are similar statements throughout the rest of the documentation provided, but it states that:

In our opinion, these financial statements present fairly in all material aspects, the financial position of the fund as at December 31, 2003, and the result of its operation and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

And as I said, there are similar statements throughout the other documents provided. What does that mean?

Mr. Wilson: — This is the standard wording for an auto report issued within Canada. As for the question of what it means, that could be a very long or a very short answer.

Mr. McCall: — Time being what it is, if we could get the short answer.

Mr. Wilson: — Really it's saying we've reviewed the financial statements — or have audited the financial statements attached — within some concept of materiality and find that the presentation within the financial statements and evaluation of amounts in the financial statements are presented fairly, inasmuch as a decision made by a user of the financial statements would be considered to be changed if the amounts were different.

With regard to expenses particularly, for example, we have reviewed expense allocations between the companies. We have tested the controls management has in place over the allocation of expenses between companies and once again, within a concept of materiality, conclude that the allocation of expenses has been fairly presented.

Similarly for each of the other items within the financial statements, we have done specific audit work over each of the items and conclude, given the materiality of the items, that they area in fact fairly presented.

I'm not sure if that adequately answers your question.

Mr. McCall: — That does indeed, and thank you because, you know, I think it's important that obviously there's a lot of work done to make sure that the books are straight ahead and that it's a clean audit. And, you know, I don't want to impute motive to some of the hon. members, but it's just important to note that these books have been subjected to an external audit, and yourself and KPMG have signed off on them as being a clean audit. I just wanted to highlight that for the record. So I thank you for your answer and I guess I'll get back to shifting gears and just a quick couple of questions.

I happen to represent the constituency that contains the headquarters for SGI and so you're part of the, SGI is part of the physical landscape of my community And I know that there are other programs that SGI partakes in and participates in that have a definite impact on the community I live in. I'm a resident of north central Regina. And I was just wondering if the officials would care to comment on programs such as the Help Eliminate Auto Theft, the partnership that SGI has with the Regina Fire Department in terms of dispersing fire alarms with long-life lithium batteries to combat fires. I guess, you know, if you could give us a bit of a rendering of what you do in terms of community involvement on those fronts and . . .

Hon. Mr. Sonntag: — Well let me — I know you've asked the officials — but just let me respond. First of all I just want to indicate before I answer that question, for Mr. Weekes who asked the question about employment equity, on page 21 — I don't know exactly where it is, but on page 21 — of the annual report, if you just want to look on the bottom, is a list of the actual employment equity targets and where we are so far. So you can look for your answer on page 21. It will, I think, address a lot of the questions that you had.

Just in response, Mr. McCall, to your question — and again the officials can supplement my answer if they would like — but I think that question really strikes at the very heart of why I, as

one of the ministers and one of the government members, and for those who have a fairly strong belief in the ownership of Crown corporations, believe that they should remain publicly owned.

Our Crown corporations, I think, are a little bit different than . . . Even though they've operated somewhat like private sector companies on sort of on the financial side, they mean much more than just a bottom line to people in Saskatchewan. And particularly for someone like myself — even though I'm the minister responsible — for someone like myself who represents an area sort of in rural parts of Saskatchewan, they represent a presence by people in every single community.

They represent, I think, a very . . . and they put a very personal face on involvement in the community. So you know that your local SGI employee is the same person that sells you the insurance quite often, but is also a person that is very often out in the community at the coaching in the hockey rinks or helping your kids learn how to ride a bicycle sort of thing. But in addition to that we're very involved in many, many activities that support things like safety. And I think you've referenced several of those.

So for me as a minister responsible for the Crown that we're talking about today, SGI, it really is much, much more than just the bottom line. While that is critical for people, it really is about involvement in our hundreds of communities across the province and support for many, many worthwhile things that I just don't think would be the case if this was a company that was owned by the private sector.

And I wouldn't . . . Again, and as I've said many, many times publicly, I would not be critical of a private sector company that would choose not to support some community event in sort of, you know, small town, rural Saskatchewan because there's not the return on the bottom line. That isn't why SGI or many of our Crown corporations are involved though. It's because they think it's important that they serve and assist people right across our province. So in terms of specifics, I don't know if anybody else wants to supplement that.

Mr. Fogg: — No. I think you're absolutely right, Minister.

Mr. McCall: — Okay, I guess I'll cede the floor to the member opposite.

The Chair: — Mr. D'Autremont.

Mr. D'Autremont: — Okay, thank you. I'd like to direct my question to the representative for KPMG and the audit. Does your audit search for and include assurance that all work being done by employees of SGI are being billed to the proper accounts, that they're being billed to the proper business sectors, or simply that they are being paid properly?

The Chair: — Before the individual answers, just as we're working out . . . We've never had committee meetings in here. You should face this way and then you'll be on camera as opposed to being . . . (inaudible) . . . so I'd appreciate that.

Mr. Wilson: — Okay, thank you. With regard to the specific issue being discussed, which is the allocation of employee

expenses between companies, within the context of the audit we have in fact documented the controls that the corporation does have in place over determining first of all, the correct level and rate of pay. And we have tested those controls and determined that they were reliable within the context of the audit.

We then looked at controls that the organization had in place over the determination of where the expense should be allocated after it's been determined that the expense was correctly paid. We have tested documentation and controls, including supervisory type approvals over that allocation process, and found that those controls were also apparently working during the course of the audit. And based upon the fact that we've done sufficient testing to rely upon those controls, concluded that within the context of the materiality for each of the organizations involved, that the costs were being allocated to the appropriate organization.

The only other comment I perhaps would make is that clearly there is some element of judgment involved. Mr. Fogg indicated, for example, that his salary is not allocated between . . . other than SGI and the Auto Fund. It's not allocated to Coachman; it's not allocated to ICPEI.

The allocation of expenses, there's never completely right or wrong answers. So we do in fact determine whether or not the approach taken appears to be reasonable, and whether or not the expense to be allocated would appear to be incremental or it was an expense that existed previously in any event.

I'm not sure if that was . . .

Mr. D'Autremont: — It was sufficient, thank you. I'll hold the rest of my questions for January when we come back to SGI.

The Chair: — Are there any final questions by committee members?

I guess before anyone moves a motion of adjournment, on behalf of the committee, thank the members and the auditors and also just to recognize the years of service of Mr. Fogg. And I'm pleased to be able to be the Chair of the committee that's able to thank you for your years of service and wish you best wishes in your future endeavours. So thank you very much.

Was there any motion to adjourn? Mr. D'Autremont.

Is that agreed?

This committee stands adjourned. Thank you.

The committee adjourned at 16:30.

