



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES
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[The committee met at 09:00.]

Saskatchewan Government Insurance

The Chair: — Well let me call the meeting to order and welcome Minister Hon. Harry Van Mulligen and officials, as well as committee members and representatives from the Provincial Auditor's office.

The item before us, there are two items before us, our agenda today: first of all, the Saskatchewan Government Insurance consideration of 2005 annual reports and related documents; and then following that, a second agenda item, the consideration of the Provincial Auditor's report, chapter 10, 2007, from volume 1. So those will be the two agenda items before us.

First of all, if I may begin, Mr. Minister, by asking you to introduce your officials. And then if you have an opening comment you'd like to make, to proceed to do that, Mr. Minister.

Hon. Mr. Van Mulligen: — Thank you very much, Mr. Chair. Today I'm joined by Jon Schubert, seated on my right. He's the president of SGI [Saskatchewan Government Insurance]. On my left is Earl Cameron. He's the vice-president of claims.

Seated behind me are a number of officials, and maybe they just could raise their hands when I call out their names: Don Thompson, the chief financial officer; Dwain Wells, he's the vice-president of systems and facilities, and it's his first appearance ever before the committee, so let's try and make him feel welcome here today; Sherry Wolf, the vice-president of the Auto Fund; and Betty Weigel, the manager of business affairs and the corporate secretary.

As reported to the committee on two ... If it's okay, Mr. Chairman, should I proceed with my remarks?

The Chair: — Yes please.

Hon. Mr. Van Mulligen: — Okay. As reported to the committee on two previous occasions, I'm very pleased to again state that 2005 was a strong year for SGI with positive results in both the Auto Fund and SGI CANADA.

Let me first address the Auto Fund annual report. As you know, one of the things we are very proud of in Saskatchewan is that we boast the lowest auto insurance rates in Canada. I'm happy to say that in 2005, SGI continued to offer these low rates and also had a very strong year financially. And as you may remember, SGI was in such a positive financial position in 2005 that we were able to provide an almost \$45 million rebate to our customers the following year.

Now I'll briefly turn my attention to the 2005 SGI CANADA annual report. And much like the Auto Fund, 2005 was also a very good year for SGI CANADA. SGI CANADA posted its second-best year on record in 2005 with a profit of \$35 million. And as I said, 2005 was a very good year for SGI, both for the Auto Fund and SGI CANADA. And we'd be happy to answer any questions from the committee. Thank you very much, Mr. Chair.

The Chair: — Thank you, Mr. Minister. I'll now turn to Bashar Ahmad to bring comment on behalf of the Provincial Auditor's office. Mr. Ahmad.

Mr. Ahmad: — Thank you, Mr. Chairman. Good morning, members. We made a requirement about 2005 years last time we met to discuss the annual report for SGI, and I will proceed to talk a little bit about chapter 10 in 2007 report when you get to that chapter, if that is the wish.

The Chair: — Sure, certainly. Thank you very much. If I can also add to the information of the committee for our agenda today that I will be recommending, when we come to the appropriate point in the agenda, that we approve a report to the Assembly from the committee. And I think members have received a copy of the recommended report, so we'll deal with that later in the meeting.

I also want to acknowledge two substitutions today — Hon. Ms. Atkinson representing the Hon. Ms. Morin, and Mr. Kirsch representing Ms. Harpauer on the committee today.

As we proceed for deliberations, I want to ask of the officials from SGI that, for purposes of ensuring that we have accurate records in *Hansard*, that the first time that you make a comment that you would identify yourself by name and position to ensure that the *Hansard* record is accurate and appropriate.

So having said all of that, we will now proceed with a review for the second or third time, but the subsequent time, of the consideration of the 2005 annual report. Are there any questions or comments? I recognize Mr. D'Autremont.

Mr. D'Autremont: — Thank you. I want to welcome the minister and his officials here today. This, I believe, is the second time that the 2005 report has been up ... the third time. It's been up twice before.

The last time it was up in May, we were discussing the rehabilitative monies available to SGI clients after injuries through no-fault, and Mr. Cameron was talking about the differences between the previous iteration of no-fault insurance which started in 1996 and went until 2002, and then from 2002 to date. He stated, and I'll read from *Hansard*:

So we pay out the 500,000. Then let's say you had an award of 2 million [which would be from a third party liability of some kind, another insurance company, or an individual]. The 2 million then comes off the 5 million and is used up for that future care and economic, and once it's used up then you get the balance. The remaining balance in this case would be — if my math is right — 3 million. Well not quite ... [he says, and he corrected that, which is fine].

My question is, is why is there remaining a difference between the situation today which came into place in 2002 onwards and what was in place prior to 2002? Because when the change was made in 2002, it was a recognition that the amounts allocated by SGI in 1995-96 were inadequate for the long-term care and rehabilitation of injured SGI clients. So why is there a difference in how third party liability monies are dealt with for

those that originally were under the 1995-96 program as compared to those with the 2002 to date operation?

Mr. Cameron: — The thought at the time was — and you're exactly right that the 500,000 in some cases would not be adequate — that we would increase the limits to 5 million. However there was an interim group there that would have access to liability policies where insurers had collected premiums for that additional risk, and we would deduct that amount that premiums had already been collected. In fact some cases would have already been started that way, where they could access that money, and it would come off the limit of 5 million so that all injured customers, going right back to day one, would end up having available to them \$5 million medical and rehab, just from two different sources for the previous ones.

Mr. D'Autremont: — Later on in the discussion that day, though, we talked about the situation as it would be today that the client has available \$5 million for rehabilitation and then any third party liabilities that they may have collected would have been tacked on at the end. So they would have had the \$5 million plus — to my understanding — plus whatever monies they may have collected through a third party suit.

In the case of those 1995 to 2002, it would not be a plus. It would be a maximum of \$5 million because any additional funds they received through a third party liability would be deducted from the amount due from SGI. So there seems to be a difference there between those that were in '95 to 2002 and those that are 2002 onwards. And it was my understanding that the reason the change took place in 2002 was a recognition that there was insufficient funds there for clients based on the 1995 legislation and that that correction was being made and everyone would receive basically the same amount then both pre-2002 and post-2002.

Mr. Cameron: — Yes, that's correct. The assumption again was that all injured customers under the plan going back would be able to receive \$5 million after August in 2002. The \$5 million of course being indexed would grow each year and allow for that also. And it was felt at the time during the review that \$5 million was a fairly high limit for medical and rehab — as a matter of fact, one of the highest ones in Canada — that that would be more than adequate and it would go up with inflation. Economic loss over and above it is a different matter, you know, when you're dealing with a high earner, but for medical and rehab that that number would be sufficient to look after badly injured people for the rest of their lives.

Mr. D'Autremont: — So yes, I agree. But why the difference then between — in dealing with the third party liabilities — between pre-2002 and post-2002? Or am I incorrect in assuming that for those post-2002 the third party liability is added on after the \$5 million has been utilized?

Mr. Cameron: — If someone — after the change was made — if someone could argue a claim that they're going to have a medical and rehab costs . . . Because you can sue for your economic loss over and above any no-fault benefits. If they could show that they're going to have an either medical and rehab or an economic loss greater than those benefits — 5 million for medical and rehab — then they would have that right to sue the responsible motorist for those damages.

Again it was felt that, you know, in most cases in fact 5 million would be plenty for medical and rehab. In the odd case you could have someone, a very high earner, that might have an economic loss that was higher than the PIPP [personal injury protection plan] benefits including some medical and rehab, if you could show that you would have a medical and rehab claim greater than \$5 million. And then you could sue. You could recover that against the responsible party. And of course by then, when you're talking those big numbers, you're talking about someone's extension policy not the basic Auto Fund insurance because the 200,000 liability would already be exhausted, right.

Mr. D'Autremont: — But that doesn't explain . . . okay. If there's a third party liability post-2002 and there's a settlement made for whatever reasons that the person could prove that the need was there or the economic, which I believe is separate on this anyways, so a need for rehabilitation, is that settlement — \$2 million to use your example — is that settlement deducted then from the \$5 million eligible from SGI? Or it's added on after so that the client would utilize that after they have utilized the \$5 million from SGI.

Mr. Cameron: — No, that settlement would be against whoever that third party is. And their insurer wouldn't be deducted from any amounts that SGI pays under the no-fault plan. It's a matter between that injured customer for benefits greater than what the no-fault covered and the responsible party.

Mr. D'Autremont: — So why is it not similar then for those who are pre-2002?

Mr. Cameron: — I'm going to let Mr. Schubert try and explain it in a different manner, so we make sure we're all on the same page.

Mr. Schubert: — Jon Schubert, president SGI. There is a difference between those that are injured between 1995 and 2002 and then the subsequent group. And I guess, you know, the answer for it is that from time to time we change the injury program, so you have different groups of people that are entitled to different benefits.

So for example, if you look at people that were injured before 1995, they had — well I think — not very good benefits at all. Then we improved them quite a bit when we introduced no-fault.

We sometimes will retroactively improve benefits, which is what we did in 2005 for people injured prior to the introduction of no-fault. And we also improved the benefits retroactively at that time for people that were injured between 1995 and 2002. And now we have the current benefits.

So you're right; there is a difference. And over time you know, from time to time we make recommendations to improve the benefits, and that's what occurred here.

Mr. D'Autremont: — The SGI did a study in 2000 of the no-fault insurance which resulted in the legislative changes in 2002. It was my understanding that the legislation from 2002 was a result of the deficiencies that were found through the study of 2000-2001 and that the changes were made to bring

everyone up to more or less the same standard, that the criteria that would deal with SGI clients and victims of accidents would be similar today based on 2002, and that those 1995 and onwards would be brought up to that standard.

Was it a conscious decision to make that difference, put that difference in place when it come to third party liability, or was it just not seen in the legislation and it was missed? Was it a conscious decision to have the third party liability be deducted from the rehabilitation \$5 million, or was it a legislative slip?

Mr. Cameron: — No, it was a conscious decision going back to what I'd earlier said about that all injured people as of August 2002 would have access to \$5 million coverage under medical and rehab, bringing those up, starting with 5 million there and then for future accident years going forward to be indexed by inflation so that medical and rehab costs would continue up for the next year and going forward that way. So it was contemplated when the legislation and discussed.

Mr. D'Autremont: — The third party liability was contemplated as well, not necessarily the cost of living adjustments that took place.

Mr. Cameron: — Both. Both were. Again the concept was that third party insurers who insured extension auto had collected premium and provided their responsible parties with that protection and that, in the cases where injured customers could access that money — 1 million, 2 million, depending on the policy limits, a half a million dollars — that money would be then taken off the 500,000 because it's already premium collected going ... And that's the trouble with retroactive legislation sometimes: going back and making it fair all the way up through.

Mr. D'Autremont: — Is it not the case though that vehicle owners can still purchase that kind of insurance today for additional medical coverage for rehabilitation? Isn't that part of the liability that they're purchasing when they purchase the additional package policies?

Mr. Cameron: — That's right. Vehicle owners can protect themselves from those lawsuits by purchasing liability coverage over and above the 200,000 in basic coverage.

Mr. D'Autremont: — And that's what they were doing pre-2002 as well?

Mr. Cameron: — That's correct.

Mr. D'Autremont: — So what's the difference then between a purchaser today, a client who is involved in an accident suffers an injury that the additional insurance that the vehicle owner that they may be suing has purchased protection for and gets to add that on after the \$5 million, as compared to the vehicle owner who purchased protection is involved in an accident and is sued? For that client, the injured person, what's the difference from their point of view based on your argument that premiums were paid? The person who is being sued paid premiums pre-2002, and another individual is paying that premium post-2002. So from the client's point of view, who is receiving the compensation? What's the difference?

Mr. Cameron: — The insurance companies ... It's purely on risk after August in 2002. After that, when they are adjusting their premiums for the liability risks there, they would know in Saskatchewan when they're insuring a Saskatchewan insured that the first 500,000 no longer was there. It's the first 5 million medical and rehab. So they can adjust their premiums accordingly to that risk. So there's considerable less risk when the Auto Fund is picking up the first 5 million than just picking up the first 500,000. So that's the reason that they would ...

Mr. D'Autremont: — So because the third party, the driver at fault that could be sued, paid a higher premium — I would assume because of the greater risk — the victim in this case gets the money that they would receive through third party liability deducted from the \$5 million available from SGI. The driver of the vehicle today, because he pays a smaller premium, the victim of the accident that is suing gets to add that on top of the \$5 million.

Mr. Cameron: — That's correct, if their damages exceed \$5 million.

Mr. Schubert: — But there's more underlying coverage in the Auto Fund today than there was prior to 2002.

Mr. D'Autremont: — How do you mean there's more underlying coverage?

Mr. Schubert: — Well because before there was \$500,000 of coverage from the Auto Fund, and then third party liability coverage is above and beyond that.

Mr. D'Autremont: — Right.

Mr. Schubert: — And today it's much bigger. It's 5.6 — whatever the amount is today — 5.6 million. So from the point of view of the client, there's more automatic coverage because that 5.6 million is paid regardless of fault today. And there's less risk or less exposure to the insurance company for losses above that, above that amount.

Mr. D'Autremont: — There's less exposure for the third party liability insurance company.

Mr. Schubert: — Yes.

Mr. D'Autremont: — True.

Mr. Schubert: — Yes. So we move more to the Auto Fund in other words, more of the ...

Mr. D'Autremont: — The risk to the Auto Fund.

Mr. Schubert: — More of the risk, yes.

Mr. D'Autremont: — But for the client of SGI who has suffered the injury, from their point of view though, is that important to them? Or is it important to them that in the case of post-2002 any settlement and liability they may recover is added on after the 5 million, versus pre-2002, it's deducted from the half million. So whatever the amount of that settlement, if there are two individuals and receive the same settlement value — let's say \$1 million — one now has access

to \$6 million; the other has access to \$4 million from SGI and \$1 million from their settlement. So there still remains that difference between the two.

Mr. Schubert: — Yes, there is a difference between the two.

Mr. D'Autremont: — And that was done consciously. That was the intended result.

Mr. Schubert: — Yes, that's correct.

Mr. D'Autremont: — Okay. Thank you. We had gone over most of the annual report for the Auto Fund in the previous meeting, and I only have a couple of questions left on the Auto Fund. On page 59 under note no. 16, you have the commitments and contingencies to Sask Health organizations for costs associated with rehabilitation. In 2006 you had 18 million, almost 19 million, and these would have been estimates, I'm assuming, from 2005. Twelve million, almost 13 million, in 2007. And then in '08-09 and 2010 you have ten million five hundred for each one of those years. I'm just wondering what was the basis of those estimates.

Mr. Thompson: — Don Thompson, chief financial officer, SGI. The costs in there in 2006 relate . . . Do you want me to explain each year, or do you want me to just explain the ten five?

Mr. D'Autremont: — Well it was the ten . . . I am assuming that the '06-07 are based on the number of clients you foresee coming forward that are already in place and what your cost record has been with rehabilitative services in Saskatchewan. So that, you know, because the next year forward, 2006, you'd have a fairly good handle on what 2004, 2005 were. I'm just wondering why the . . .

Mr. Thompson: — No. The costs, and as an example in '06, are for each year we have a commitment of 10.5 million to Sask Health — that would be in each one of those years — for the costs that we've agreed to pay Sask Health for our injured parties using the health care system. So that's in there each year.

But also in '06, as you can see in the paragraph following, we have a commitment that we've made related to the redevelopment of our computer system, so there's a commitment already in place. So that's part of the costs also in 2006.

Mr. D'Autremont: — Okay. Thank you. The ten five is an annual commitment . . .

Mr. Thompson: — That's right.

Mr. D'Autremont: — Made for rehabilitative services. Is that regardless of the number of clients that are utilizing those services?

Mr. Thompson: — Correct.

Mr. D'Autremont: — Okay. I guess that was the new information I didn't have.

Mr. Thompson: — Okay.

Mr. D'Autremont: — Okay. Thank you. The minister commented in his introductory remarks on the good year that the Auto Fund had had, that there was a \$45 million rebate put in place. I'm actually looking at the 2007 statements.

But in 2005 what was the target for SGI and the Auto Fund to maintain in the reserve?

Mr. Thompson: — The target for 2005 was \$90 million.

Mr. D'Autremont: — So in 2005 in the stabilization reserve I believe you had was it \$147 million at that point in time and disbursed 45 million?

Mr. Thompson: — We finished '05 with 163 million in the rate stabilization reserve. But we changed our target for 2006 to be the minimum capital test. It's a test used by insurance companies. It was a new test that came out for regulated insurance companies, so the target changed for 2006.

Mr. D'Autremont: — And that was where it went from 97 million to 120.

Mr. Thompson: — It was a range. Yes.

Mr. D'Autremont: — So you had 163 million. You disbursed 45 million. But again I mention the news release that you did in 2007. The figure shows, for 2005, 147 million. Where does that 147 million then come from?

Mr. Thompson: — I'm not sure where you're getting . . . Oh this is in . . . because we restated our 2005 . . . Just let me grab my . . .

Mr. D'Autremont: — Okay.

Mr. Thompson: — Are you looking in the 2007?

Mr. D'Autremont: — Yes. The news release, the slide show.

Mr. Thompson: — Yes. We had restated our 2005. Yes. So you're right; 2005 restated is 147 million. So sorry, your question again? Sorry.

Mr. D'Autremont: — Okay. Why the restatement? Why the difference between 163 and 147?

Mr. Thompson: — We restated our 2005 financial statements for a prior period adjustment to our provision for unpaid claims related to an actuarial adjustment which was found in 2006. So we restated our 2005 financial results.

Mr. D'Autremont: — So your provision for unpaid claims increased, did it, that resulted in the difference between 163 and 147?

Mr. Thompson: — Just let me check here. I just want to check the note. Yes. It increased by 16 million, provision for unpaid claims.

Mr. D'Autremont: — With the target of 90 million for the

Auto Fund reserve in 2005, you had restated a 147 minus 45. So you were down to 102 million in the rate stabilization reserve. What caused it to increase then after that, or why were the rates not adjusted downward to maintain the rate stabilization reserve at the 90 million range?

Mr. Thompson: — In 2006?

Mr. D'Autremont: — Yes, going forward.

Mr. Thompson: — Well in 2006 we did a couple of things. We doubled the Safe Driver Recognition program, so it went from — well more than double — it went from 9 to 20 per cent. So that had the effect of increasing the discounts on premiums from 25 million to 71 million. So that was equivalent to about a 7.7 per cent rate decrease. So for safe drivers, they did get a significant decrease on their vehicle insurance premiums in 2006 by more than doubling their discount. So we saw premiums, they would have went down by I guess that would be about \$48 million because of that change. And we did one other fairly major thing by, as John discussed, we increased the benefits for those seriously injured prior to '95 and for those seriously injured between '95 and 2002, which had a cost of just under \$22 million.

So we made two really significant commitments in 2006. One was a significant decrease in vehicle insurance premiums going forward for our customers, and then one was the increase to benefits. So we thought those were two pretty major changes for financial commitments for the Auto Fund in '06, plus the \$45 million.

Mr. D'Autremont: — The 48 million and the 22 million, would that have come from the rate stabilization reserve, or would that have come from the allowance for unpaid claims?

Mr. Thompson: — The decrease in rates?

Mr. D'Autremont: — Yes.

Mr. Thompson: — That doesn't come out of the rate stabilization . . .

Mr. D'Autremont: — They're foregone premiums.

Mr. Thompson: — That's right.

Mr. D'Autremont: — And how about the 22 million.

Mr. Thompson: — So that would come out of the rates. It would reduce the rate stabilization reserve. In '06 it increased the claims incurred by the 22 million and has the effect of decreasing the rate stabilization reserve by that amount.

Mr. D'Autremont: — Okay. Thank you. I'm sneaking ahead into 2006, Mr. Chairman, here.

The Chair: — The Chair was noting this and was wondering whether it was appropriate to remind Mr. D'Autremont that the item before us is the '05 review which has been before us before, and it is the obligation of the Chair to ensure that we stick to our agenda, and I'm pleased to note that Mr. D'Autremont has acknowledged that, and I'm sure he will

guide himself accordingly.

Mr. D'Autremont: — In 2005 what were the government's plans going forward to ensure . . . you've mentioned the decrease or the increase in the discount and the money set aside put forward for those who had suffered injuries both pre-'95 and pre-2002. What other, in your estimates, what other things were happening in 2005 that would cause the rate stabilization fund to either grow or shrink, moving forward into 2006-2007?

Mr. Thompson: — In 2005 what caused it?

Mr. D'Autremont: — Yes, since I'm stuck with dealing with 2005.

Mr. Schubert: — If I could try and answer that. What's important for us in the Auto Fund is to try and maintain stable rates for our customers. At the same time, we want to make sure that we set aside enough money to pay for our claims obligations which are in the range, in the Auto Fund, of about 730 million, I think it was, in 2005. And we wanted to improve the benefits in 2002 and then in 2005. And we were, in those years, recording decreases in our provision for unpaid claims because we were quite cautious about the amount that we set aside in the first years of no-fault.

Coupled with that, in 2005 we had a good fortune with reduced accident frequency in the number of collisions out there. And so what happens with the Auto Fund is we never get the rates exactly right because we're charging a premium today for an event that's going to occur in a future year. And so we try and predict what the rates are. Sometimes we're over and sometimes we're under. And those profits and losses accumulate in the rate stabilization reserve. When it gets to be more than what we think we need to set aside to protect customers from rate shock, and then what we've done in the last couple of years is reimburse those premiums to our customers.

Mr. D'Autremont: — Thank you. In a previous discussion with Minister Sonntag, while he was the minister responsible for SGI, we talked of SGI sending clients outside of the province for medical diagnosis and/or treatments. In 2005 how many clients did SGI send out of province?

Mr. Schubert: — Sixteen.

Mr. D'Autremont: — Thank you. And what kind of costs were associated with that?

Mr. Schubert: — The average cost is \$750 plus whatever the travel costs are to go out of province. So I would guess it would be around \$20,000.

Mr. D'Autremont: — Thank you. Were all those transported out of province within Canada or did any of them go out of country?

Mr. Schubert: — I'm not absolutely certain of that. There may have been one or two that went to Minot but the rest within Canada.

Mr. D'Autremont: — Those out-of-province medical events, were they diagnostic only or were they treatment as well?

Mr. Schubert: — Diagnostic.

Mr. D'Autremont: — Okay thank you. I'd like to move on to SGI CANADA annual report. On page no. 15 dealing with management decisions and analysis, the net risk ratios, it indicates that a \$25 million capital injection was received from CIC [Crown Investments Corporation of Saskatchewan] to SGI CANADA and/or its subsidiaries. What was that used for? What was the purpose?

Mr. Schubert: — The insurance industry is regulated for the amount of capital that's required to support the business that's being written. And that's to make sure that insurance companies are solvent and able to pay the claims that occur.

And so the new capital was used for, \$21 million of it was for our SCISL [SGI CANADA Insurance Services Ltd.] investment and moving to Alberta, and \$4 million of it was used for Coachman. What happens with those funds is that they are received in the company and they're set aside in an investment portfolio and generate investment income while they're held.

Mr. D'Autremont: — On that same page, talking about the net risk ratios and we see according to your report that a 2.0 rating is the required or the national average or what is considered to be appropriate. In 2004 SGI CANADA consolidated had a 2.7 net risk ratio. Did that \$25 million result in the lowering of that net risk ratio, and was that the reason why that investment was made?

Mr. Schubert: — Yes. That, combined with the profit that we earned in 2005, would bring down that net risk ratio.

Mr. D'Autremont: — Would that be incumbent on that profit though being kept as retained earnings?

Mr. Schubert: — Yes. That would have an impact on it. The amount of equity in the company is dependent on the amount of money coming in from CIC and the amount of dividends going out plus the amount of profit or loss in any given year.

Mr. D'Autremont: — So the actual reduction of that net risk ratio is a direct result of the capital injection from CIC then.

Mr. Schubert: — Well it's a combination of the money received from CIC, the profits for 2005 less the dividends that were paid in 2005, relative to the amount of insurance premium that we wrote in 2005.

Mr. D'Autremont: — What impact would it have had on those numbers going from 2.7 down to 2.0 had that \$25 million capital injection not taken place and everything else remaining the same — the profit levels remaining the same and the dividend paid to CIC remaining the same?

Mr. Schubert: — Yes. So you're asking what would the net risk ratio be without the \$25 million?

Mr. D'Autremont: — Right.

Mr. Schubert: — Okay. We'll have to cipher that. I guess it's a bit more complicated calculation than we can actually cipher in our heads here, so we'd have to get that back to you. But I

should point out that the profit for the year was 35 million, and we paid a dividend of 22.9 million. So about \$12 million . . . it was an increase in equity of \$12 million just from operations before the 25. So we can make that calculation, and we'll provide it to the committee.

Mr. Thompson: — There's other things that go into the calculation besides just these two factors. There's things like unrealized investment gains that come into it. So it's hard to just . . . You have 25 million equity came into the company which helped it go down; 12 million retained profits helped it go down. But there's other factors in the calculation of the net risk ratio that you can't see here that also impact it that will . . . So we'll have to calculate it for you.

Mr. D'Autremont: — Okay. Thank you. It just seemed that SGI was bragging up the fact that it had dropped the rate, the net risk ratio, from 2.7 to 2 and had done a great job. But would that job have been as great without the \$25 million injection from CIC?

Mr. Schubert: — No, you know, it clearly wouldn't have dropped as much without that \$25 million injection from CIC.

Mr. D'Autremont: — I was just questioning the positive nature of some of the . . .

Mr. Schubert: — Spin?

Mr. D'Autremont: — The spin. Yes.

On page no. 23, management discussions and analysis dealing with mainly Coachman Insurance, Coachman's share of the market dropped to avoid writing unprofitable business in the auto industry in Ontario. Is that an implication that other people were underwriting unprofitable business to gain or retain market share?

Mr. Schubert: — Well what happens in the insurance industry is that there is an insurance cycle where companies go as an industry when there are losses and investment income is poor. Then generally what insurance companies will do is restrict underwriting and increase rates significantly which makes the industry more profitable. When that happens, the balance sheets of insurance companies strengthen. And in order to retain market share, sometimes companies will reduce rates and try and obtain market share in order, well, in order to increase their market share. And sometimes they suffer from that.

We try and take a very disciplined approach about that, you know, in any of the companies who don't want to be in the business of the more you write, the more you lose. And so we try and, you know, set a premium that's commensurate with the risk that we're trying to take on.

Mr. D'Autremont: — The way you describe it, a lot of people could think of farming as that type of an enterprise. Is part of the problem here for Coachman is that its base is not broad enough?

Mr. Schubert: — I think that Coachman, if it were a bigger company — and it will become over time — there would be less volatility in its financial results, and it would be better off

to have a bigger market share. But we want to grow the size of premium in Coachman by diversifying the books. So when we purchased it, it was simply a writer of substandard auto business. We've introduced new products there to spread the insurance risk. And like any other insurance company, what you try and do is spread in different geographic territories and a diverse set of products so that when you have losses in one area they're offset with profits in other areas.

I guess an example of that is our 2005 underwriting. We had a record underwriting profit, and I think, if I remember right, 45 per cent of it came from risks outside of Saskatchewan.

Mr. D'Autremont: — I'm looking at the loss ratios on that same page for Coachman. In 2004 there were very significant loss ratios — 88 per cent of the premium, almost double any of the other SGI CANADA enterprises. And that reduced in 2005.

Was there a significant event in 2004 that occurred? Was it geographically located? I don't know where Coachman has most of their insurance or premiums sold, their client base, but let's say it's Toronto. Was there something major that happened in that geographic area that caused such a high loss ratio in 2004 versus 2005?

Mr. Schubert: — I guess in 2005 we start to see some of the benefits of the work we have been doing in Coachman since we purchased it. There were certain lines of business that we exited, for example taxi business in the Greater Toronto Area. We diversified the book by starting to write home and commercial business in Ontario. And the combination of those plus rate increases that we took in Coachman in 2004, the combination of all of those things improved the loss ratio for Coachman.

Mr. D'Autremont: — So you were spreading that base basically?

Mr. Schubert: — Yes. Increasing rates, you know, being more disciplined about our underwriting.

Mr. D'Autremont: — On page 31, outlook for 2006, again dealing with Ontario, Alberta, Nova Scotia, the industry turnaround has occurred in part due to provincial regulatory changes in those jurisdictions. What changes occurred?

Mr. Schubert: — Well they vary in each province, but essentially the problem has been for many jurisdictions in automobile insurance in the cost of tort liability claims. And many of the other provinces have restricted the amount of compensation that injured parties can receive for non-pecuniary losses for relatively minor injuries. And so that has reduced the claims cost and the claims frequency of auto products in various provinces across the country and improved the loss ratio and helped with the profitability of the industry.

Mr. D'Autremont: — So they have eliminated what are commonly called nuisance suits. I'm assuming the three different provinces can have different bottom levels, but what's the cut-off, do you know, for each one of them?

Mr. Schubert: — Well they're all quite different. It's not quite nuisance claims. It's a restriction of the amount that's paid for

pain and suffering. So for example, in Alberta for relatively minor injuries there's a cap for pain and suffering of \$2,500.

But the no-fault benefits in the other provinces are also quite different, and that makes a difference to the costs. For example in Alberta, the no-fault medical benefits are limited to \$50,000 compared to Saskatchewan's 5.5 million or Ontario's \$1 million for seriously injured persons. So it depends on a whole bunch of things — on what the coverage is, traffic density, those kind of issues.

Mr. D'Autremont: — In the other jurisdictions where you say there's a cap on no-fault, do the automobile clients there have the right to use the tort system and sue for any additional coverage?

Mr. Schubert: — Yes. Same as here.

Mr. D'Autremont: — Okay. On page 35, consolidated statement and financial positions, under liabilities, you have a dividend payable in 2005 of 7.2 million. To whom is that paid? Is that the other shareholders in PEI [Prince Edward Island] insurance? Because the dividend to CIC was 22 million from SGI CANADA.

Mr. Thompson: — That 7.269 million is all payable to CIC. And the reason it's not 22 million is we pay quarterly instalments of the dividend based on our best estimate at the end of each quarter of what our profit will be for the year. So that's just a last quarterly instalment.

Mr. D'Autremont: — Why doesn't it indicate that someplace then in the annual report?

Mr. Thompson: — Indicate what?

Mr. D'Autremont: — That this is only a one-quarter payment for, I would assume then, the last quarter of the year.

Mr. Thompson: — It's the remainder of what hasn't been paid of the total, the declaration for the year. I guess there's no requirement to state that it is the last quarter's dividend that's remained payable. There's no handbook requirement that we disclose that but . . .

Mr. D'Autremont: — Okay. Thank you. I'd like to ask the Provincial Auditor's office then. On that page, page 35 of the SGI CANADA book, the consolidated statement and financial position, the numbers that the information provided here, what do they reflect?

Mr. Ahmad: — Mr. Chairman. Mr. D'Autremont, those are the balances as at the end of the year.

Mr. D'Autremont: — So that's a snapshot picture as of March 31. They do not . . .

Mr. Ahmad: — December 31.

Mr. D'Autremont: — Summary.

Mr. Ahmad: — Yes. December 31.

Mr. D'Autremont: — What did I say . . . [inaudible interjection] . . . March? Okay. I was thinking December. So this statement then is not a statement for the corporation's annual business?

Mr. Ahmad: — Mr. Chairman, Mr. D'Autremont, if you want to look at the annual operations, you have to go to page 36, and that does show you the dividend is 22.8 million.

Mr. D'Autremont: — Right.

Mr. Ahmad: — Okay.

Mr. D'Autremont: — That's why I was . . . Why is it 7 million on page 35 and 22 million on page 36?

Mr. Ahmad: — Yes. That's the unpaid portion. The amount they haven't paid yet.

Mr. D'Autremont: — Ah, okay. On page 35, equity advances under note no. 9, they show \$80 million as the equity advances. This is the total advances that CIC has advanced to SGI CANADA over its lifetime, or what period of time is that 80 million? Because it only talks in note no. 9 about the \$25 million that was contributed in 2005.

Mr. Thompson: — Let's say now if it's been advanced at that point in time, cumulatively there's been different balances over the years. There's been less than that. I don't remember there ever being more than that. We've paid some equity advance back years ago. I don't remember how long, many years ago, but it's changed over time. But the 80 million is the advance that we have at that date of December 31, 2005.

Mr. D'Autremont: — Okay. Thank you. That's all the questions I have on SGI CANADA.

Under the pay disclosure report for SGI for 2005, I note that you have two Catherine McKays employed with you, do you? Or is this an error?

Mr. Thompson: — There's two.

Mr. D'Autremont: — Oh okay. Just it's interesting they'd both spell their names exactly the same way.

And under payees for suppliers and other payments, Paradigm Consulting Group, what work were they doing for SGI?

Mr. Schubert: — It's part of the redevelopment work for our computer, Auto Fund computer system.

Mr. D'Autremont: — Okay. Thank you. Coachman Insurance in 2005 noted the loss of \$9.7 million for the service agreement in note no. 10. I know we discussed this earlier — I think probably in March — but is there any new history on that file?

Mr. Schubert: — No. The receiver is examining some of the principles involved in that, and that will occur sometime later on this summer. But since we last discussed it, I believe we mentioned that we retained the \$1.2 million in trust funds. But since then, there hasn't been any significant development.

Mr. D'Autremont: — Okay. Thank you. The \$25 million that CIC provided to SGI CANADA and 4 million of that went to Coachman, I believe. Where does that show in the annual statement for Coachman Insurance?

Mr. Thompson: — It's in contributed surplus on the balance sheet.

Mr. D'Autremont: — Okay. The contributed surplus shows 5 million, yet I think it's 4 million coming from CIC. Is that not the case? Where does the additional million come from?

Mr. Thompson: — We moved 5 million to Coachman in 2005. Four million came ultimately from CIC, and one came from capital that SCISL already had.

Mr. D'Autremont: — And SCISL had that from retained earnings, did they?

Mr. Thompson: — From capital that it had been provided with in prior years. It had excess capital.

Mr. D'Autremont: — Thank you. I note that in 2005 while there was some profit in Coachman, it still retains a significant debt or deficit. What is Coachman doing to reduce that?

Mr. Schubert: — Those matters that I talked about before with the taking out certain classes of business that we don't wish to write, such as taxis, diversifying the book by selling home and commercial products, increasing rates. And as a result of that, Coachman has become much more profitable.

In 2006 it earned a profit of \$10.4 million, so it's the improvement in the book of business that has resulted in that improved profit.

Mr. D'Autremont: — So what are you projecting for 2006-2007 and onwards for Coachman? What's going to happen with the deficit? What kind of reductions to that are we apt to be seeing?

Mr. Schubert: — At the end of 2005 we had a deficit of 14.2 million. If we add in the profit in 2006 of 10.4 million, that reduces it to \$3.9 million deficit at the end of 2006. To June of 2007 we've earned a profit of 2.1 million. So it's almost . . . Coachman's been profitable for the last — 2003, '04, '05, '06, '07 — so the last five, six years and we're working our way out of the deficit there.

Mr. D'Autremont: — That's all the questions I have on Coachman.

On the Saskatchewan Government Insurance superannuation plan, obviously the number of people that remain in this plan to retire are not significantly huge, but nevertheless it's a considerable amount of money to be allocated to them. How is the investments doing with that in the sense is there enough there to provide the necessary pensions to those who remain in this plan especially in view of the last number of events within the stock market?

Mr. Thompson: — Yes we believe those stock market changes are always going to happen, and you know, things will correct

and will come back. But that plan has been sitting, in the last several years, it's moved from a small deficit to small surplus. So we're very close to continuing to have enough to fund that plan. So it's in a funded status right now and with a small surplus. So we believe it has the funds to pay the pensioners going forward. And if it doesn't, then the corporation will have to increase its contributions to the plan.

Mr. D'Autremont: — Okay. Thank you very much. I think . . . One more series of — not necessarily a series — but one more question dealing with SGI and all its subsidiaries. For the year 2005 was SGI the victim of any employee fraud? I assume that there's from time to time attempts by SGI's clients to stretch their losses, but from employees.

Mr. Thompson: — No.

Mr. D'Autremont: — Okay. Thank you. That's it for me on this particular issue. I believe my colleague has some questions.

The Chair: — The Chair recognizes Mr. Kirsch.

Mr. Kirsch: — Thank you, Mr. Chair. And thank you, Mr. Minister. I've got a few questions, a situation I ran into. I'm wondering about — on cars, trucks, vans — these removable trailer hitches. Is there a fine for having the hitch in other than when you're pulling trailers?

Mr. Schubert: — Sorry, we don't know. We'll find out for you about that.

Mr. Kirsch: — The reason I'm asking, conflicting reports, we had one RCMP [Royal Canadian Mounted Police] officer tell us that no, there is no fine on this. And then we talked to another gentleman who paid his \$75 fine on it. So the reason they're saying is SGI was asking for it because too many people parallel parking were taking the grill out of the vehicle behind them. And so I was just wondering, what is the actual ruling on it? Whether it is . . .

Mr. Schubert: — We haven't made any changes to the legislation or regulations for that type of thing for several years. So I don't think it's a recent thing if it indeed is there. But we'll have to research it to find out what the answer is to that.

Mr. Kirsch: — Yes. I'd be curious in finding out whether it is or isn't illegal. The next one I have is, when you're driving down the highway and damage is done to your car by debris on the highway, that is covered by your SGI policy?

Mr. Schubert: — Subject to your deductible.

Mr. Kirsch: — Okay. I've got a case, March 16. This gentleman was driving down Highway No. 5 east of St-Denis. And debris in his lane, which proved out to be the brake shoe from a tractor-trailer unit . . . and it was in wintertime, just after a storm, and solid line going up a hill. And he couldn't avoid the brake shoe: traffic coming from the other side, solid line, and traffic behind him. Straddled the brake shoe, but it went up through the oil pan of his car, okay. Now he couldn't stop there because of the solid line going up hill and the snow. If you're familiar with March 16, that was just after one of the blizzards. There are no shoulders on that highway to speak of, and he had

to go up to the nearest approach. The motor on the vehicle . . . He phoned a tow truck immediately and once they got up there . . . And the motor on the vehicle was hashed.

And now he's having a dispute with SGI whether to get paid on this. And it's gone on since March 16 and still no settlement.

Mr. Schubert: — Could you provide us with the — perhaps after the meeting — with the name of the customer.

Mr. Kirsch: — Okay.

Mr. Schubert: — And then we could find out about that.

Mr. Kirsch: — The gentleman . . . I'll give you his name. I've even got the letters that I received from the department. I wrote letters for him. We've had no favourable response at all. One time he phoned in, and he was called a liar, and it's gotten very unpleasant. And he's talked to the ministers. And one letter was May 15 that I wrote in, and we didn't receive a response until August 21. And these people are sitting there with this vehicle that's their only mode of transportation. The total bill for fixing the car is over \$11,000 now already.

Mr. Schubert: — Well without knowing the circumstances behind it, sometimes it takes a while to, you know, to investigate these things. And the issue will be whether or not the damage was caused, you know, as a result of the accident or whether it was because the customer kept on driving it. But you know if we can have the name we will find out about that, investigate that for you.

Mr. Kirsch: — It was no choice for him but to drive it because of road conditions and safety conditions. If he'd have stopped the car right there you'd have had more accidents. So he had to move the car to an approach. And after that storm, approaches are very limited.

Mr. Schubert: — Right.

Mr. Kirsch: — So if I could meet with you after.

Mr. Schubert: — You bet.

Mr. Kirsch: — Thank you. That's all I have.

The Chair: — That also was a bit of a stretch from the Chair's guideline that the item before us is consideration of the '05 annual report. But I appreciate that the questions relative to that have concluded. Are there any further questions related to the '05 annual reports from SGI? If not, then it would be in order to have a motion related to consideration of those reports. Mr. D'Autremont.

Mr. D'Autremont: — I move:

That the committee conclude its review of the 2005 Saskatchewan Government Insurance annual reports, financial statements and related documents.

The Chair: — Thank you. The question before the committee is the motion by Mr. D'Autremont:

That the committee conclude its review of the 2005 Saskatchewan Government Insurance annual report, financial statements and related documents.

Is the committee ready for the question?

Some Hon. Members: — Agreed.

The Chair: — Then those in favour please indicate. And opposed. And that's carried unanimously.

I thank the members for their deliberations related to the '05 annual reports. It's now time to go to consideration of the Provincial Auditor's report, chapter 10, for 2007, volume 1.

And given that we have a standing order for adjournment at 12 o'clock noon and we're near the halfway point for the morning, unless there's any objection, I will declare a 15-minute recess. Is there any objection to that? There being none, then the committee stands recessed for 15 minutes, and we'll reconvene at 10:35.

[The committee recessed for a period of time.]

The Chair: — It now being 10:35 the committee will reconvene. The item before us is the second agenda item then, as stated, the consideration of the Provincial Auditor's report chapter 10 of 2007 volume 1. And from the Provincial Auditor's office, previously introduced, was Mobashar Ahmad, the deputy provincial auditor. He's joined here today by Jason Duran and now since the recess has also been joined by Andrew Martens.

We'll begin with a report from the Provincial Auditor's office by Mr. Ahmad, and then I'll ask the minister if he wishes to respond. And then we'll proceed with deliberations on the Provincial Auditor's report. Mr. Ahmad.

Mr. Ahmad: — Thank you, Mr. Chair. Our 2007 report volume 1 includes the result of our audit of SGI, the companies SGI owns, Saskatchewan Auto Fund, and the SGI superannuation plan for the year ended December 31, 2006.

On page 121 of our report, we describe the companies SGI owns. To complete our audit, we worked with KPMG, SGI's appointed auditor. We concluded that SGI and the companies it owns had adequate processes to safeguard their public resources and those of the Auto Fund and the superannuation plan. They also comply with authorities commanding their activities and those of the Auto Fund and the superannuation plan, and that the financial statement for SGI, the companies it owns, the Auto Fund, and the superannuation plan are reliable.

This chapter also reports the result of our audit of SGI's project management processes for the Auto Fund redevelopment project from February 1, 2006, to January 31, 2007. SGI is replacing the computer system that SGI uses to deliver Auto Fund's product. SGI estimates that the new system would cost approximately 35 million and that the new system would provide better and more accessible information, enable SGI to respond more quickly to Auto Fund customers, and better position the Auto Fund to meet its future needs.

We decided to audit SGI's project management processes to report how SGI is managing this significant project. We used the criteria listed on page 124 to do our work. SGI's management agreed that the criteria are reasonable and attainable.

We concluded that SGI had adequate management processes, except that it needs to have processes to monitor the benefit it expects and document the risks, securities, and communications strategies. We make two recommendations to help SGI do so.

Project managers told us that they plan to report to senior management on whether the project achieved the benefit that SGI set out in the project plan. Also management told us it has now drafted a communication strategy.

That concludes my remarks. Thank you.

The Chair: — Thank you very much, Mr. Ahmad. Minister, are there any comments by way of response you wish to make before we proceed on the deliberations?

Hon. Mr. Van Mulligen: — I would not myself, Mr. Chair. Perhaps Mr. Schubert and his staff might. It's not a policy issue we're dealing with here. It's a management issue.

Mr. Schubert: — We really don't have any comments. We'd be pleased to answer any questions that the committee might have.

The Chair: — Okay. May I remind the committee then the two specific questions before the committee that we'll deal with will be the two recommendations that Mr. Ahmad referred to listed on the top of pages 127 and 129 and that we'll deal with those then at the conclusion of our deliberations. The floor is now available for any members who wish to make a question or comment regarding the Provincial Auditor's report. Mr. D'Autremont.

Mr. D'Autremont: — Thank you. Mr. Ahmad, in reviewing SGI for your 2007 report, and in particular the computer system that SGI is putting in, you recommend that SGI monitor the benefits it expects. From your point of view, what benefits did you see that SGI was expecting to receive for this project?

Mr. Ahmad: — Mr. Chairman, Mr. D'Autremont, we had listed what they told us they were planning to achieve. There was lack of documentation, but what they told us that they were planning to achieve is listed on 126.

They told us that the primary benefit of the project is the replacement of the aging computer system that is not sustainable in the future. And those other benefits, they include customer service, increased staff satisfaction, and increased responsiveness to business change.

Mr. D'Autremont: — Okay. Thank you very much. Well I guess the minister and then you can direct it to whomever you wish . . . The computer system that you have currently in place, how long have you been utilizing that system and those programs?

Mr. Schubert: — Well the system was developed over the

decades. Parts of it date back to the 1960s. And so the existing system is somewhat, well, old. And it's reached the point where we were concerned that we wouldn't be able to carry on the millions of transactions we do through the Auto Fund, and very slow to be responsive to customer needs and business change.

And perhaps I can give you an example. If you recall we made some changes to the simplified registration classes for class LV [light vehicle]. It took us about 18 months to do that — you know, not very responsive when it takes you 18 months to do something like that. And so with this system, once it's in place we will be able to make those kind of changes in a matter of weeks. It will allow us to better interact with our customers because some transactions will be able to be done through the Internet. But the main reason for doing all of this is that, you know, when you have a system that was started in the 1960s it has a useful life, and in this case it's expired.

Mr. D'Autremont: — The systems that you currently have in place are those housed within SGI's own property, or are they contracted from a service provider?

Mr. Schubert: — No, they're within SGI's. We run those systems. Now we have a backup outside of SGI in case a disaster happens in our building, but those are in-house.

Mr. D'Autremont: — When you move all that out, what are you going to do with all the extra space? 1960 computers were not known to be small.

Mr. Schubert: — Oh sorry, it's not the computers. It's the actual system, you know . . .

Mr. D'Autremont: — Okay. So you have upgraded the hardware since 1960.

Mr. Schubert: — Oh yes. Yes.

Mr. D'Autremont: — At least it's not back to abacuses. For what you . . . replacing the aging computers and systems and certainly the software systems from the 1960 would have been strictly custom built and very difficult to find somebody to work on something that old if the person that you have in place working on them leaves. And if they were there in the 1960s, I'm sure they're looking forward to their retirement in the very near future so you lose that corporate knowledge and the ability to maintain that kind of a system.

Mr. Schubert: — Exactly right. One of the risks we saw is that the people who work on this are approaching retirement age and the system is written in . . . I don't know the technical language, but one that's outdated, and we wouldn't have anybody to fix it when it, you know, when it breaks down or make changes to it.

Mr. D'Autremont: — When you're looking at improved customer service, and Mr. Ahmad said that he had verbal indication from SGI as to what the benefits they expected, what benefits do you, from SGI's point of view, see with this new system for customer service, for staff improvements or staff benefits? What are you looking at in that area for the benefits to SGI's customer and employees?

Mr. Schubert: — I guess there's a couple of things. The first is

the way that we interact with customers. And more and more customers are wanting to have a quicker response through the Internet, and with the implementation of this system we will be able to have renewal of drivers' licences. We'll be able to have renewal of vehicle registration insurance through the system through our brokers. It'll allow the customer to get a better picture of the business that they do with us.

From our employees' point of view, one of the . . . When we can meet a customer need, much more satisfying to be able to say yes to a customer than no to a customer. And if we have a system where we're able to be more responsive and make business change a lot quicker, it makes it much more satisfying for our employees.

Mr. D'Autremont: — Thank you. You mentioned access through the Internet. Would this be strictly for individuals, or would fleets be able to renew their licences as well over the Internet?

Mr. Schubert: — Not initially but we would work towards that.

Mr. D'Autremont: — Certainly it's a convenience for the individual customer registering their personal vehicle, but I would think if that was made available it would almost be essential for fleets to have that opportunity because in their case they're renewing monthly various vehicles.

And the second part of that, will you be able to send out notices of expiry for licences utilizing that system to the individual customers and to fleets?

Mr. Schubert: — Yes, we will be able to do that, and I think that's, you know, another advantage. It's difficult for us to sometimes communicate with customers because customers move, and this provides another way of doing that through the Internet and email.

Mr. D'Autremont: — Thank you. And another area along this line — and this may run into privacy concerns; I'm not sure — but particularly fleets, because individuals wouldn't have this ability, but drivers for fleets from time to time have been known to be disqualified, have lost their licences for whatever reason. Their employers may or may not be made aware of that in a timely manner. Is that something that if the drivers were registered as being a driver for a particular fleet that that would be a notification that could be given to the fleet operator?

Mr. Schubert: — We're building the system so the businesses can have access to that as long as the driver gives permission because it's the driver's private information. But we want to make sure that there's a quick way for the business owner to know that, whatever the circumstances are for a driver.

Mr. D'Autremont: — What are you envisioning for this? Would this be the driver's disqualified, SGI then sends a notice to the business? Or would the business have to make requests on some sort of an intermittent basis for that information?

Mr. Schubert: — Initially the business would have to do an online access to the database. Now once we have . . . We're concentrating on getting the system in. And I think that's, you

know, probably a good idea to have some kind of automated notification so that the business owner would know. And perhaps that's something that we could develop subsequently, but initially it will be so that the business owner can have access.

Mr. D'Autremont: — I guess I have a concern about the driver permission, and the length of time that that permission is valid. I'm thinking back to — and the chairman may remember this as well — the safe driving committee that we had in place many years ago, looking at drivers giving permission for organ donations or for the taking of blood samples in the cases particularly of accidents. And I believe our advice at that time was . . . is that yes, today I can give that permission, but that's not to say that tomorrow I still give that permission. And so my concern would be . . . is what's the time limit that the driver has actually given permission to the fleet operator to have access to his driver's transcript?

Mr. Schubert: — I would guess that it would be the policy of the company that hires the driver that says that a condition of employment is such that, as a company, we have access to your driving record as long as you are employed with the company.

You know, privacy is . . . We have a lot of information and have to be very careful about what we release and what we don't. And you know, when we get to that stage, we're going to have to make sure we build in a safeguard that we're not, you know, that we're providing the timely access so the business can be done on the one hand and on the other hand making sure that we safeguard the privacy of the individual.

Mr. D'Autremont: — Thank you. So when you're . . . Perhaps I should have asked this question already, but what state is your upgrade at? Is it partially functional? I realize from the report that it is to be finally released in 2010. But you're bringing forward impartial implementations, so what kind of stage are you at now? And so where would that be in relationship to be able for someone, either privately or a fleet operator, to access information?

Mr. Schubert: — There's two. We've chunked out the implementation of the project, and we've implemented two parts of it to date. That's for permits and for internal issuer management process so that we can keep track of various things with the issuers.

We're going to implement the driver's portion of it in October 2008 and the vehicle registration part of it in 2009. So the, you know, the part that relates to fleets won't be in place until 2009.

Mr. D'Autremont: — Thank you. The part that you have implemented already, the permit one in particular, this would be — what? — permits for overweight, for over length? So a contractor could contact SGI over the Internet, or do they do it over the phone?

Mr. Schubert: — It's currently over the phone, and it's being designed so that we could switch on the Internet part of it.

Mr. D'Autremont: — Okay. So if the permits are being done over the phone, how does the contractor then have some evidence that they have the permit with them if they're stopped

by a highway traffic officer?

Mr. Schubert: — We give them a permit number, and then the police can check back on that if they wish to do so.

Mr. D'Autremont: — So they only have to be able to give an indication of what that number is, and the constable will take that as the written permit that they would need.

Mr. Schubert: — Yes. And then we send subsequently an invoice to the customer listing whatever the permits are that they purchased.

Mr. D'Autremont: — Okay. Thank you. Will your system be able to work with other jurisdictions as well — and I'm thinking in a province with municipal districts — for the permitting system?

Mr. Schubert: — We'll be able to connect across the country for vehicle and driver information but not for permits and not with municipalities.

Mr. D'Autremont: — Okay. Thank you. The reason I asked that is it came to my attention this spring that a truck needs to have the permit with them, not just have the oral permission from the jurisdiction issuing the permit, in this case a municipality. They have to actually have the paper in their hand. And so I'm not sure how your number is going to . . . because in this particular case they could have phoned the municipality, contacted the municipality to find out that the permit had been issued. But that was not acceptable. They had to have the permit with them.

So have you looked at The Highway Traffic Act and how the traffic board interprets that? Will they accept the driver giving them, well, here's my permit number, even though they don't have any physical evidence of that?

Ms. Wolf: — Sherry Wolf, vice-president of the Auto Fund. With respect to the municipal permit, I'm not certain what that would be. But the permitting process has been, in terms of issuing the number, has been the same now as it has been for about 10 or 15 years. So the practice of issuing a number has been around for a long time.

Now if there's some individual permit that the municipality are issuing, it's not being issued by SGI. So we haven't contemplated at this point connecting that too. It would be we're more interested in, from Highways' perspective, the bridges, the over length, the overweight. I guess that's something you could consider down the road, but I think it would be a ways away for us.

Mr. D'Autremont: — I mean it would be nice to have it connected with the municipal, but I'm concerned about the lack of paper for that driver to give to the constable, the Highway Traffic Board, when they're stopped and asked for your overweight permit or your over-length permit. And in the past, the verbal authorization from the municipalities seemed to be adequate, but unfortunately in this particular case it was not.

And so when the driver has been orally issued the number and he passes that on to the constable and they can check back to

SGI to see that, yes indeed there was a permit requested and issued, nevertheless I'm wondering if . . . And this is what the argument was in this particular case — that they had to physically have the permit with them. And I'm just wondering if that applies for the SGI permit as well.

Ms. Wolf: — To my knowledge it is acceptable to have the permit number because it's accessible for the officers to check with us. And as we go forward with our new system, that will be even easier for the online officers. They'll be able to, you know, key in the information.

Mr. D'Autremont: — Which they wouldn't be able to do with municipals. Okay. Thank you very much. Have you put any dollar figures on the benefits that you will see both in customer service and staff satisfaction?

Mr. Schubert: — No, not really. Very difficult to quantify, you know, a dollar amount for customer satisfaction or employee satisfaction. So no, no we haven't.

Mr. D'Autremont: — In terms of employee satisfaction, what are you looking at in that particular area? How will the employee satisfaction be improved with the implementation of this new computer system?

Mr. Schubert: — Well when I go and talk to front line staff, they tell me that when they do something for a customer it's a lot more pleasant experience for the customer and for them and a lot more rewarding for them. And we've been working to improve employee engagement scores in the corporation, and we think that there's a link between having engaged employees and higher customer satisfaction ratings. And so it's part of having employees being able to make suggestions on how we should change our programs and then being able to implement them a lot quicker than what we do today.

Mr. D'Autremont: — Yes. It might surprise my colleagues across the table, but I was once one of those unhappy customers with SGI. And it took a while to get the issue resolved. And it just . . . I don't know if I've ever asked this question of SGI, and it relates to that issue. Does a person need a PIC [personal identification code] number to register a vehicle?

Ms. Wolf: — Yes. We have to have some method with which to identify you within our computer system, and a PIC number, personal identification code, is simply that. In the future it will be a customer identification number, and you need that in order to do business with us so that we have a method of tracking it.

Mr. D'Autremont: — So someone who is not eligible for a licence, driver's licence, a 12-year-old cannot own a vehicle in Saskatchewan?

Ms. Wolf: — We would just . . . we can assign an identification code outside of a driver's licence.

Mr. Schubert: — But the 12-year-old can't drive.

Mr. D'Autremont: — Well the 12-year-old can't drive, but can they own the vehicle?

Mr. Schubert: — Yes.

Mr. D'Autremont: — But they would first have to be issued some identifying number by SGI. The reason I ask this is because my son . . . He's in a wheelchair, and SGI through the rehabilitation was providing for a van to transport him. It had to be in his name, and yet he did not qualify at that point in time to drive or have a PIC number, and yet when I go up to the customer service to register the vehicle they were not prepared to register it in his name even though SGI was demanding it be registered in his name.

Mr. Schubert: — So was it resolved?

Mr. D'Autremont: — Yes. After they made a number of phone calls and reached some point where somebody was prepared to make a decision, it was resolved. But the 25 customers standing behind us were not happy either, so it took a while. So that's why I was asking that question. Do you have to have . . . It doesn't necessarily have to be a PIC number. It's a customer identification number. Okay, thank you.

Has SGI . . . And I believe in some of the comments that Mr. Ahmad made that SGI is moving forward to address with some of these recommendations. Has SGI documented the benefits and the risks and the strategies to manage those risks that have been identified by Mr. Ahmad in the annual report?

Mr. Schubert: — We documented the risks. We have a steering group with senior management that oversees the project and those risks and the things that we do to mitigate those risks are coming to that group to manage.

Mr. D'Autremont: — We were in discussions with another Crown, and they had a task force in place that was assessing those similar type of risks and yet they met formally once a year. How often does your risk management committee dealing with the new computer system meet? Is it on a regular basis?

Mr. Schubert: — Monthly, we have a monthly meeting. Well I mean they cover more than just risks but, you know, other issues, but monthly they meet.

Mr. D'Autremont: — Yes, but this is one of the issues that is raised to ensure that the project is moving ahead in the proper time frame and manner.

Mr. Schubert: — Yes. And it's also reported to the SGI board of directors twice a year.

Mr. D'Autremont: — And the last part of Mr. Ahmad and the Provincial Auditor's recommendation is that the communication strategy is to keep stakeholders adequately informed. In this particular case, who are identified as the stakeholders? Is that the board of SGI? Is it CIC, cabinet and government? Or is it the people who are buying drivers' licences and registering vehicles?

Mr. Schubert: — We have a number of stakeholders. And you know, different parts of the communication will come out at different points in time. So for example we meet with brokers and licence issuers on a regular basis on the development of the system to make sure that we get it right for them. We provide progress reports — the steering committee, the SGI board. Each year we report this as part of our — whatever it's called — the

CIC performance plan to CIC. Eventually we will need to do some outside communication to our customers to introduce, to introduce the new system. So it's an evolving, an evolving task.

Mr. D'Autremont: — Okay. Thank you. Mr. Ahmad, one of the issues with the new system deals with security. And SGI has informed you that it will continue to use the current security environment. Do you feel that SGI's current security system is adequate to deal with the needs of the present system and the future system that they're developing, particularly in light of the opportunity for Internet access by the customers of SGI?

Mr. Ahmad: — I'll ask Mr. Duran to respond to that.

Mr. Duran: — Jason Duran, Provincial Auditor. Without having the ability to assess the current environment completely, it would be difficult to say. It seems reasonable; they haven't had any issues that we're aware of. We would ask that they create a strategy around security to be able to assess, you know, the weaknesses or situations that they need to put in place.

Mr. D'Autremont: — Okay. Thank you. To the minister and Mr. Schubert, currently does the general public have access to SGI through the Internet?

Mr. Schubert: — We have websites that provide information to our customers. So for example you can look up the insurance rate for whatever vehicle you would like. But really that's the only access that exists today. So it's pretty rudimentary.

Mr. D'Autremont: — There's no interactive component to it.

Mr. Schubert: — No, there is some. We have a — it's actually quite slick, if I do say so myself — a way to report claims online where there's a bit of an interaction. You put in your plate number, and you can go through the claims process for that. But essentially, most of the information that we have to date on the Internet is just that information.

Mr. D'Autremont: — When you go finally implement the entire new system, you're contemplating having significantly more interaction with the public in this system. Will your current security environment be robust enough to ensure that there are no security risks?

Mr. Schubert: — We will have to make some — and we plan to do this — make some changes to . . . You know, if you're handling payments through the Internet, there's all sorts of standards with the credit card companies that you have to have in order to do that. So there will be a strengthening of the security environment for that.

Mr. D'Autremont: — And there'll be no chance for identity theft or for someone to enter the system to change their transcript to remove that disqualification?

Mr. Schubert: — Better not be.

Mr. D'Autremont: — Well what are you doing to ensure that that's not the case?

Mr. Schubert: — Well you know, we'll make it so that people can't do that. But privacy and security is a big issue for us. We

spent a lot of time looking at different scenarios that might occur in order so that that doesn't happen to us.

Mr. D'Autremont: — Do you hire outside consultants, or do you have people in-house that have the ability to challenge your systems?

Mr. Schubert: — We do both. We have, you know, some internal people that are working on that. But we also have external people that have expertise and that come in and challenge us to make sure that we get it right.

Mr. D'Autremont: — And for the past number of years, have you been tracking the number of attempts to access your system inappropriately and how often is that reported to you?

Mr. Wells: — Dwain Wells, vice-president of systems and facilities. Back to your question, yes, we have logs that keep track of intrusion detection and people trying, but we haven't had any breaches. We monitor that. We don't report it on a regular basis, but we monitor very closely. And as Jon said, we have lots of information that we've got to keep track of and secure.

Mr. D'Autremont: — And do you continue to work to strengthen those security . . .

Mr. Wells: — Yes. Yes, we have a team that's looking after that. As well, back to the Provincial Auditor's report, that's what we're working on as we, you know, as we go through the phases of the releases for redevelopment. The key one is, as we go to the Internet, as Jon said, we're going to strengthen that. And that's part of pulling together the strategies to deal with that.

A couple of things, people's authentication so we know it's really you that's coming in as well as the payment card industry. There's standards out there that MasterCard and Visa have said that all companies need too. And we've been working very hard on that so that we're ready for January '09.

Mr. D'Autremont: — Yes, I think a number of people still have concerns about the utilization of their credit cards on the Internet even though I think the younger you are the more accepting you are that that is the modern economy. But I think it's very critical that that security be in place and be sacrosanct.

Mr. Wells: — Yes. And that's why the payment card, MasterCard and Visa have come out with that standard, and we've been working with an external consultant on those to ensure that we have that in place when we're ready to do that.

Mr. D'Autremont: — Okay. Thank you. That's my questions, Mr. Chairman.

The Chair: — Thank you, Mr. D'Autremont. Are there any further questions or comments related to the auditor's report? If not, then we have two decision items with which to deal. I refer you first of all to the first recommendation on the top of page 127 of the Provincial Auditor's report of chapter 10, 2007, volume 1. And the recommendation then for the record is that:

We recommend Saskatchewan Government Insurance

have processes to monitor the benefits it expects from the Saskatchewan Auto Fund Redevelopment Project.

Is there a motion related to concurrence and compliance? I recognize Mr. Addley.

Mr. Addley: — Thank you, Mr. Chair. I move that the committee concur, move concurrence by the committee and compliance by SGI.

The Chair: — I recognize again Mr. Addley.

Hon. Mr. Addley: — Thank you, Mr. Chair. I would move that the committee concur, concurrence by the committee and that progress is being made by SGI.

The Chair: — Okay. Thank you. Mr. Addley has moved that the committee agrees with the auditor's recommendations and finds that SGI has made progress regarding the first recommendation.

Is the committee ready for the question on that motion?

Some Hon. Members: — Agreed.

The Chair: — Those in favour, please indicate. Opposed? That's carried unanimously.

I now refer us to the recommendation on the top of page 129. The recommendation reads:

For the Saskatchewan Auto Fund Redevelopment Project, we recommend Saskatchewan Government Insurance document its:

- [one] risks and strategies to manage the risks
- [two] strategy to plan, test and implement adequate security [and]
- [three] communication strategy for keeping stakeholders adequately informed about the project.

Does someone wish to make a motion? Mr. Addley.

Hon. Mr. Addley: — Yes, thank you, Mr. Chair. I would move that the committee express concurrence with regards to the recommendation and that we recognize progress was made by SGI.

The Chair: — Thank you very much. Mr. Addley's motion that the committee agrees with the recommendation and notes progress on the recommendation by SGI, is the committee ready for the question?

Some Hon. Members: — Agreed.

The Chair: — The question is called. Those in favour, please indicate. Opposed? And that also is carried unanimously.

That concludes our deliberations related then to the second agenda item, the consideration of the Provincial Auditor's report, of chapter 10, 2007, volume 1. And I will want to not adjourn the committee because the committee has some other business yet to do, but first of all to thank the minister and the officials from SGI for your attendance today and provision of

answers in response to the members' questions. I want to as well express appreciation to the representatives of the Provincial Auditor's office for your advice to the committee, and then also finally to thank the committee members for their questions and expressions of interest and concern related to the function of SGI. Mr. D'Autremont.

Mr. D'Autremont: — Thank you, Mr. Chairman. I'd like to thank the minister and his officials for coming in today and to thank the Provincial Auditor and his officials for coming in today and participating.

The Chair: — Thank you. And, Mr. Minister, did you wish to make a concluding comment?

Hon. Mr. Van Mulligen: — Mr. Chair, I would just like to, one, thank the officials for being here today and responding to the questions as they have. I also want to thank the committee members for taking time out of their summer to be here in the interest of public policy. Thank you very much.

The Chair: — Thank you. And the Chair appreciates the participation of all present in functioning in the interest of the good operations of SGI as a corporation of service to the province and the people of Saskatchewan. The officials and minister are dismissed. The committee will continue on one final item of business before adjournment. Thank you very much.

To the committee members, I want to direct your attention then to what I recommend to you as the 10th report for the Standing Committee on Crown and Central Agencies, the report to the Legislative Assembly of Saskatchewan. And in order to deliberate on that, it would be appropriate to go into committee. Does someone . . . or into camera, I should say.

Does someone wish to move that the committee go in camera? Mr. Addley. Those in favour? Opposed? That's carried. The committee will now go in camera. Thank you very much.

[The committee continued in camera.]

The Chair: — Okay, the committee will reconvene having deliberated in camera on the proposed 10th report to the Legislative Assembly of Saskatchewan. And it would be in order then for the committee to entertain a motion in that regard. I recognize Mr. Addley.

Hon. Mr. Addley: — Thank you very much, Mr. Chair. I just want to commend the Chair and the Vice-Chair for their good work in the preparations of the committee that . . . the report that is before the committee in camera. And to that end I would move:

That the 10th report of the Standing Committee on Crown and Central Agencies be adopted and filed with the Clerk pursuant to rule 134(6) [if I recall.]

The Chair: — Thank you very much. If I can have you pass along the motion. Thanks. It appears you recall that just as it's listed right here. The question before the committee is:

That the 10th report of the Standing Committee on Crown and Central Agencies be adopted and filed with the Clerk pursuant to rule 134(6).

Is the committee ready for that question?

Some Hon. Members: — Question.

The Chair: — The question's called. Those in favour please indicate. Opposed? And that's carried unanimously. And the Chair acknowledges the expression of appreciation and is sure that it is also intended to include the Clerk to the committee who had much to do with the preparation of the report, of course.

Okay, so that is carried, and that concludes the business before the committee. And it not yet being the hour of standing order for adjournment, the Chair would accept a motion to adjourn. Mr. D'Autremont. Those . . . It's not a debatable question, so those in favour please indicate? Those opposed? And that is also carried unanimously and enthusiastically, I might add.

And I want to thank the members of the committee for your diligence over the course of the last three days and for your good work on behalf of the people of Saskatchewan. The committee meeting stands adjourned.

[The committee adjourned at 11:29.]