



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

Mr. Herb Cox, Chair
The Battlefords

Ms. Cathy Sproule, Deputy Chair
Saskatoon Nutana

Mr. Steven Bonk
Moosomin

Mr. Glen Hart
Last Mountain-Touchwood

Ms. Nancy Heppner
Martensville-Warman

Mr. Everett Hindley
Swift Current

Ms. Lisa Lambert
Saskatoon Churchill-Wildwood

[The committee met at 15:01.]

Ms. Ursulescu: — Okay, good afternoon committee members. Seeing that we do not have a Chair and Deputy Chair present with us this afternoon, I have to preside over the election of an Acting Chair. So I'd like to remind members of this process. So first I will seek nominations, and then once nominations cease, then I'll ask a member to move that motion.

So I'll now call on members to nominate an Acting Chair. I see Mr. Hindley.

Mr. Hindley: — I'd like to nominate Nancy Heppner.

Ms. Ursulescu: — Okay. Any further nominations? Seeing none, Mr. Hindley, I'll ask you to move the motion.

Mr. Hindley: — I move the motion:

That Nancy Heppner preside as Acting Chair of the Standing Committee on Crown and Central Agencies meeting for May 1st, 2019.

Ms. Ursulescu: — Okay. All those in favour of the motion?

Some Hon. Members: — Agreed.

Ms. Ursulescu: — All those opposed? The motion is carried, and I would invite Ms. Heppner to please take your seat at the chair.

The Acting Chair (Ms. Heppner): — Good afternoon, everybody. This is, in my 12 years of being here, this is the first time I've ever chaired a committee so I ask for everybody's patience. I hope I do this all right. I'm sure I'll be fine. I've got great help over here. Joining us today on committee is Steven Bonk, Glen Hart, Everett Hindley, Lisa Lambert, and substituting for Herb Cox is Corey Tochor, and substituting for Cathy Sproule is Nicole Rancourt. So welcome to all of you.

This afternoon the committee will be considering the 2017-18 SGI Canada annual report and 2017-18 Saskatchewan Auto Fund annual report as well as the '17-18 Crown Investments Corporation of Saskatchewan annual report.

Saskatchewan Government Insurance

The Acting Chair (Ms. Heppner): — We will now begin our consideration of the '17-18 SGI Canada annual report and '17-18 Saskatchewan Auto Fund annual report. Welcome to you, Minister Hargrave. I would ask you to introduce your officials and make any opening remarks.

Hon. Mr. Hargrave: — Thank you very much, Madam Chair. And given the wide range of topics we'll be discussing this afternoon, I have a number of officials with me from SGI [Saskatchewan Government Insurance]: Andrew Cartmell, president and CEO [chief executive officer] of SGI; Jeff Stepan, chief financial officer; Karol Noe, senior director of Auto Fund strategic support; and Kim Hambleton, senior director of the Auto Fund communications; and my chief of staff, Angela Currie.

During the 2017-18 fiscal year, both the Saskatchewan Auto Fund and SGI Canada showed strong financial performance. SGI Canada realized a profit of \$59.4 million thanks to a strong year for investment earnings and underwriting profitability. SGI Canada achieved premium growth of 8.7 per cent, strongly outperforming the industry average of about 3 per cent. Premiums grew in all five provinces where the company does business, putting SGI Canada on track to achieve its goal of \$1 billion in premiums by 2020. To support this growth target and continue to spread risk, the company began selling personal property and auto insurance in Ontario under the SGI Canada brand.

Another highlight for the company was the launch of the farm business unit to provide unique and personalized service to agricultural customers.

For the Auto Fund, another year of strong investment earnings resulted in the Auto Fund strengthening the rate stabilization reserve by \$210 million. The Auto Fund is financially strong with stable insurance rates. It now offers the lowest auto insurance rates in Canada, all while providing comprehensive injury benefits for customers who need them.

In 2017-18 the Auto Fund remained dedicated to improving safety on Saskatchewan roads and highways. We introduced stronger legislation to combat impaired driving, including zero tolerance for drug-impaired driving and tougher penalties for impaired drivers transporting children. This legislation was passed in 2018.

We also introduced and passed ride-share legislation to give people in the province another safe ride option. This legislation was also passed in 2018. These efforts were supplemented by SGI's continued investment in traffic safety enforcement and several award-winning traffic safety awareness campaigns.

I'd like to thank you and we'd be happy to answer any questions.

The Acting Chair (Ms. Heppner): — Thank you to the minister. I would remind officials that before you answer your first question, if you could say your name for the record. Questions? Ms. Rancourt.

Ms. Rancourt: — Thank you, Madam Chair. I want to first of all thank the officials for coming today. It's a really important opportunity to be able to ask some of these questions with the annual report, and so I really appreciate you taking the time to be here today.

I'm new to this portfolio, but I have been finding it very interesting, and there's so many different dynamics with SGI, as you guys well know. And so it seems like an hour just doesn't seem to be enough time to ask all the questions that I definitely have, but I'll try to get as many in as I possibly can.

So when I first started off, I wanted to talk a little bit about how many FTEs [full-time equivalent] are employed with SGI for the past five years, and if you have a breakdown with the individuals who are employed through SGI or SGI Canada.

Hon. Mr. Hargrave: — As of March 31st, 2019 the total number

of FTEs at SGI is 1,955. Now a lot of the positions, we don't have a breakdown between SGI Canada and SGI the Auto Fund, as some of these positions are split positions. So they do generate for both sides of the equation.

In 2018 there was in the same time frame, March 31st 2018, there was 1,481 ... [inaudible interjection] ... Pardon me, 1,905. Sorry, wrong line. And the '17, 1,912; and in '16, 1,879.

Ms. Rancourt: — So there has been an increase of FTEs. In which department or where would that have occurred?

Hon. Mr. Hargrave: — Predominantly in SGI Canada because SGI Canada is showing growth that is well above industry average, and so we're showing plenty of growth in Alberta, BC [British Columbia], and Ontario, and in Saskatchewan. So we're showing strong growth and that's primarily where the number of FTEs has increased as well.

Ms. Rancourt: — Do you have a breakdown with regards to the FTEs on which provinces that they reside in?

Hon. Mr. Hargrave: — Well I can tell you how many is in Saskatchewan and how many are out of province, not by province in particular. But as at March 31st, 2019 in Saskatchewan there's a total number of FTEs of 1,834, and out of province there was 121. And if you want for a couple previous years I can give you that too: '18 is 1,801 in province and 104 out of province; and '17, 1,823 in province and 89 out of province; and in 2016, 1,796 FTE and out of province, 83.

Ms. Rancourt: — How many of these positions are management-level positions?

Hon. Mr. Hargrave: — Management level, as in March 31st of '19, is 454.

Ms. Rancourt: — And has that increased over the years?

Hon. Mr. Hargrave: — Yes, it has. In '18 it was 417; in '17 it was 381; and in '16, it was 365.

Ms. Rancourt: — That's quite a substantial increase. Was there a reason for that increase of management-level positions?

Hon. Mr. Hargrave: — These are actually ... You know, they're not necessarily management positions. I misspoke. They're out-of-scope positions. And all the out-of-province employees are out of scope so they're part of that. Four hundred and fifty-four is all the employees that are not in Saskatchewan.

Ms. Rancourt: — And are there staff being seconded to Executive Council?

Hon. Mr. Hargrave: — No, there's no staff seconded to EC [Executive Council]. No.

Ms. Rancourt: — And do you have contracts with external adjusting companies?

Hon. Mr. Hargrave: — Yes, we do.

Ms. Rancourt: — Can you provide me a list of those?

Hon. Mr. Hargrave: — We will have to undertake to provide that. We don't have that information with us.

Ms. Rancourt: — And with regards back to staffing positions, were there any positions that have been eliminated? And if so, in which departments?

Hon. Mr. Hargrave: — Well there's a constant change in positions and rotating because some positions become obsolete and new positions are brought on. I mean with technology, positions continue to evolve so we keep changing positions. But by the number of FTEs, most of our positions, most of our people are still there. There's always staff turnover, but there's no specific thing. But positions do change. They come or they go because they're redundant anymore because the computer does that. So we take that person and we'll train them into another position.

Ms. Rancourt: — And has a lot of that been more so within SGI and not necessarily SGI Canada? It seems like SGI Canada has been growing, but has there been a lot of position changes within SGI?

Hon. Mr. Hargrave: — Yes, there's been a lot of change in both. I mean, technology just keeps pouring on and so we keep the changes going, and we expect that to continue. Technology in the insurance industry is growing in leaps and bounds, and we're keeping up with it, and our staff are keeping up with it. And we're training our staff to take on new roles within the organization that weren't there a year ago, two years ago, five years ago. And so it's a good thing for the staff. They're learning and we're encouraging them to take on these new roles.

Ms. Rancourt: — As of March 31st, how many vacant positions were available within SGI?

[15:15]

Hon. Mr. Hargrave: — There's always vacancy management that takes place where people leave and it's in a period of time. So with the financial results being for '17-18, we'll undertake to provide you that number, what it was on March 31st, 2018.

Ms. Rancourt: — Thank you. What percentage of staff self-disclose as being Indigenous or have a disability?

Hon. Mr. Hargrave: — Well due to illness, not all of our executive that we would normally have are here today, and so we have that number. As well, we'll undertake that. He would have that number and he's not here, but we'll undertake to provide you that number as of March 31st, 2018.

Ms. Rancourt: — And has there been any changes, any increase or decrease of sick leaves over the years, maybe mental health leave or short-term disability within staff?

Mr. Cartmell: — Andrew Cartmell. We don't have those numbers with us as part of our annual statement. That's not something that we would normally report on in our annual reports. I can tell you that we definitely have programs that support our employees with short-term disability, mental health, those sorts of things. As the administrator for the Auto Fund in Saskatchewan, of course, we have programs that support our

claimants who may have been in horrific accidents, with mental health issues as well, support them.

I can assure you, we're well aware of the issues going on in today's environment with employees related to stress and everything else that's going on. And we have programs in place to support them.

Ms. Rancourt: — That's good to hear because it is an issue that workplaces are needing to address a bit more. And with regards to staff morale, it's very important. So thank you.

So there has been some discussion about updating computer programming so that customers can research and purchase online. How is that process going?

Mr. Cartmell: — Andrew Cartmell again. In Saskatchewan for our Saskatchewan customers, we've had online services called MySGI since about 2010 I believe. And with that program, it allows our customers to get online services directly. They select a broker-issuer to support them if they happen to need advice as part of that process. But basically it allows customers the convenience of basically renewing auto insurance, their plates, getting permits, driver testing set up, those sorts of things, all from the convenience basically of their home.

And so we've had those services for a long time. Going from memory, I believe about 25 to 30 per cent of auto fund transactions are through that system. And through the same system, they have the ability to check on their SGI Canada policies as well.

Ms. Rancourt: — So has that number of people accessing that system been increasing over the years? And how is SGI ensuring that customers know and are able to access that system?

Mr. Cartmell: — Yes, the usage has gone up. It goes up a little bit every year. We had a program in conjunction with our broker force to collect customer email addresses, so we use electronic notification to support that process. Our primary distribution system are brokers and issuers in the province, and we always encourage our customers to make sure that they're getting the proper advice that they need through their broker or issuer to make sure they're getting the right coverage and protection.

Ms. Rancourt: — And so there has been a lot of changes through the years with regards to when a person is needing an appraisal or estimates with regards to repairs for their vehicle after an accident. And so a lot of those changes has been more reliance on autobody shops to be able to provide that service. Autobody shops now are able to provide the estimate or the appraisal, and the repairs for a customer, so it's just a one-stop shop for a lot of people. But there's been some concerns about how SGI is ensuring that these claims are accountable and fair and objective. So what is SGI doing to ensure that there's a level of accountability with regards to these assessments?

Mr. Cartmell: — As part of our operations in the 2017-18 year, yes we do allow customers the option of either coming through SGI appraisal services to get their car appraised and then go to the autobody shop of their choice or, if the customer chooses, they do have the ability to go direct to a repair shop. It really depends on the customer preference and their comfort level in

doing that.

In order to manage the repair shops, they all use the same estimating system. From that system we collect data, and we have a sophisticated dashboard system that basically monitors and manages repair shops based on parts, average repair times, those sorts of things. So we have a very robust electronic data-driven appraisal auditing system that supports the repair shops. We also will do in-house audits of repair shops and, of course, we would use the data that we're collecting to pinpoint which shops should require an in-person audit.

Ms. Rancourt: — And so how many shops tend to have these audits in a year, or has that increased through the years? Or can you tell me a little bit more about these audits?

Mr. Cartmell: — I don't have a number for you, but I can assure you that it's a data-driven process, and the number of audits that would be done in shop would be based on results of the data. If the data shows that repair times are taking longer, if they're slipping, if parts aren't being replaced to the extent that they likely should be, based on the estimate of the damage, we would do more audits.

And if the data supports that the quality of repairs is better than expected, then we would do fewer audits. It's basically a very data-driven scientific approach to this.

Ms. Rancourt: — How many autobody shops are there within the province that are accredited by SGI?

Hon. Mr. Hargrave: — There's 280 body shops in the province, but is there something specific on the body shops from the report that you need or that you're looking for?

Ms. Rancourt: — I'm asking more questions about the audit. So my next question is, how many staff members does SGI have to perform these audits?

Mr. Cartmell: — Unfortunately the level of detail you're asking for really doesn't fall into the purview of our annual statements or our annual reports. So I mean we can find that information; I simply don't have that information. We prepared based on the financial and the balanced scorecard information that's contained within our annual reports.

Ms. Rancourt: — So you don't have information about staffing and who . . .

Mr. Cartmell: — Not at our fingertips, sorry. Not at our fingertips, we don't.

Ms. Rancourt: — Okay.

Hon. Mr. Hargrave: — It's not our full review on staffing. It's a full review on the financial statement. And that's what it's about and that's the . . . Lots of those questions are not part of the financial statement review.

Ms. Rancourt: — Well I would think if there was an increase of audits happening that that would be an increased cost within SGI, which would be in the financial review. So has there been an increased cost to audits?

Hon. Mr. Hargrave: — That's a better question . . . [inaudible] . . . that's a better question.

Mr. Stepan: — Jeff Stepan. We don't have a number. The number would be relatively immaterial for the financial statements. But there wouldn't be a significant change from year to year in the audit costs.

Ms. Rancourt: — So prior to having autobody shops being able to provide all these services, and when specifically customers could only go to SGI to get the appraisal and estimates conducted, was there still a lot of these audits being done on the autobody shops, or is this something new because of the new system and service that's being provided?

[15:30]

Mr. Stepan: — We have always done audits of the autobody shops, the quality of repairs, that sort of thing. The level of detail that we have, now that the autobody shops are doing the appraisals, has increased. We have developed a dashboard that's specific to the quality, the turnaround, the cycle time, that sort of thing for the autobody shops. So we've always done the audits, it's just that now it's more robust.

Ms. Rancourt: — So previously the minister was indicating that there has been some shifting with staffing because of different roles within the agency. And more people are accessing their appraisals and estimates through autobody shops, so therefore less are being done through SGI. So less appraisers are potentially needed, I would assume, through SGI. Are those appraisers then in these different positions because they have an extreme amount of knowledge within the industry? Are they in these different positions if there's potentially more audits being done, or can you tell me a little bit more about that?

Mr. Cartmell: — So the roles have changed for our appraisers. We still employ lots of appraisers. The number that would go around to shops to do in-person visual appraisals of course has dropped because we're leveraging technology and we're using image appraising. So years ago we would not have had image appraisers, but today we have people who basically their responsibility is appraising, but they do it based on photographs that come from the repair shops.

So the appraising has changed from in-person appraising, which by its very nature is a costly way to manage the appraisal process, and it's changed from that to image appraisers and dashboards so that we are keeping control on the quality as Jeff said — the cycle times, the use of parts, and those sorts of things.

So the appraising is still done. It's done in a different fashion and it's leveraging technology to make sure that we actually are providing better oversight, I would believe, than likely what we were years ago when it was all done in person.

Ms. Rancourt: — So because this is becoming much more technology based, what kind of staffing is needed to provide that technical support? Would it be more people who are trained within IT [information technology] services, or are they more still trained with regards to autobody services?

Mr. Cartmell: — It would still be autobody services. They're

basically using software; they're not developing the software. So it wouldn't be IT folks but it would people who are familiar with auto repair and understanding, being able to look at images of damaged vehicles and understanding whether the estimate is matching what the photograph says it should be repairing. So no, they need to be qualified appraisers to this day.

So the advantage of image appraising is that the time that it would have taken an in-person appraiser to go around from shop to shop, particularly in rural Saskatchewan, would make the ability to do, you know, X number of appraisals a day pretty low. When it's image appraising, the volume of appraisals that a person can review skyrockets, and so it's a much more effective system.

And not only are we more effective in terms of overseeing the appraisals but, as Jeff said, the cycle time is dramatically reduced. The last thing our customers want are cars sitting in a repair shop waiting for our appraiser to come by and approve the repairs. And so, you know, on a number of different fronts it makes total sense for us to leverage technology in terms of the efficiency, the efficiency for the autobody repair shops and also for our customers.

Ms. Rancourt: — And with regards to customers, have you had an increase in customer concerns with regards to the repairs, or a decrease? Or has that changed at all?

Mr. Cartmell: — One of the things we track in our annual report, in our balanced scorecard, is something called the customer experience index score. I should look in the Auto Fund; just give me one second.

On page 11 of the Auto Fund's 2017-18 report, we report back on the customer experience index. And the scores in there are in sort of mid- to high 70's, which for an insurance company is in the good range. So that's a combination of any interaction any customer has with the Auto Fund, whether it's a damage repair, an injury claim, driver testing, you know, buying permits or whatever. It's the sum total of all that.

I believe the numbers that we're showing there are a combination for the Auto Fund and for SGI Canada, and I know that the Auto Fund tends to be a couple of points higher than SGI Canada. Not exactly sure why that is. But the customer satisfaction we have with the Auto Fund is slightly higher and getting close to that 80 per cent range. And the service we use to provide this score would say that if you hit 80 for a customer experience index, that's in the "excellent" range for an insurance company. And the Auto Fund is basically there.

Ms. Rancourt: — That's good to hear. We know that people in Saskatchewan especially, and we know that more people in other provinces are really appreciating the services of SGI. And it's good to hear that the rating scores are that high. So good work.

I wanted to talk a little bit, because we are moving to more technology-based with a lot of programs, does that mean that there's been some changes within the IT department? Has it expanded? Has there been some changes with regards to that department?

Mr. Cartmell: — So based on the 2017-18 year, there really wasn't a lot of change in our IT area with respect to technology.

So in terms of the report we're looking at, I can confidently say there was really no impact to our IT staff.

Ms. Rancourt: — There wasn't an increase with regards to staffing because of an increase of the technology, or there was no changes?

Mr. Cartmell: — It would be immaterial for the time frame that we're looking at.

Sorry, I was answering with respect to our IT staff, our systems staff. So they work on the development and maintenance of our systems. They're not the users of the system. So in terms of our IT staff themselves, really my answer is correct in terms of that. There would have been minimal change to staffing levels back in the 2017-18 fiscal period.

Ms. Rancourt: — So there has been, a few individuals have contacted me about their house insurance with SGI Canada and indicating that it's increased substantially in the past year with nothing changing within their coverage and not having a claim. So has there been an increase to rates? And in fact, why was that increase if there wasn't one?

Mr. Cartmell: — Again, back in this 2017-18 fiscal time period, there would have been increases to our home insurance rates not only in Saskatchewan but across the country. The number one reason for that, and it's an industry-wide issue, is an increase in storm activity, whether it's flooding, hail, wildfire, thankfully not earthquakes so far. But across Canada there's been an increase in storm-related losses that are insured losses, covered losses.

It used to be that fire insurance, which was the main reason for purchasing home insurance, was the number one cause of loss. And in the last 5 to 10 years, water-related losses are the number one loss. So it's overland flooding. It's sewer backups. It's the fact that houses today are built with laundry facilities on the second floor, and when a water pipe bursts or the drain hose breaks to your washing machine, unfortunately it floods everything below it, and those become very costly and expensive repairs.

Basements these days in homes are no longer just storage facilities. People live in their basements and have expensive electronic equipment. When we have a sewer backup, years ago it might have been 2, 3, \$4,000. These days it's not unheard of to have 25, 50, \$100,000 claims from a sewer backup happening in someone's basement. So it's a combination of more weather-related issues that we're seeing and it's a combination of what people are putting in their homes and where they live.

Ms. Rancourt: — And is the insurance value based on your home value? Like is it based on a percentage of your home value?

Mr. Cartmell: — Insurance premiums are based on a number of different things. Part of it is the value of your home. It's not the sale price or the list price of a home because that includes the land, but it's the value to rebuild your home of same quality and same size. That's one component that increases or changes the price on your home.

Location makes a difference, whether you have fire department protection, whether there's hydrants available, theft rates in the

area. Weather-related issues also vary across the country, province by province. That will change insurance rates. Repair costs, the inflation rate in Canada, the cost to repair homes, the cost of materials, the cost of labour makes a difference as well.

Ms. Rancourt: — And how is that determined?

Mr. Cartmell: — We employ actuaries that analyze our data. Every year we collect claims and premium data from our customers. It goes right down to an individual postal code level, and we analyze our results. At the end of the day, what we try to do is to take our past history and modify it through a series of adjustments to try and predict the experience we expect to get in the upcoming policy period. So we basically are using historical data and statistical analysis and tools to predict the experience we expect to happen in the upcoming year. And then you just spread that premium base amongst all your customers. That's as simple as it is.

From time to time, as rates go up, sometimes they go up, sometimes they go down a little bit. For home insurance lately, they've tended to go up because of the factors I've spoken about. We do cap increases because we're quite aware that our customers probably don't want to pay a higher price for insurance but they also likely need the insurance to protect their most valuable asset. And so if from time to time increases are too high, we put caps on. So we purposely charge our customers less than what the appropriate actuarial rate would be in the hopes that over the next several years we will eventually be charging all of our customers the right rate.

Ms. Rancourt: — So flood insurance has been becoming more and more available from different insurance companies. So is that becoming an option for SGI Canada to provide flood insurance for customers?

Mr. Cartmell: — We do, I believe, actually in the '17-18 year that might have been our first full year of offering. It's called overland flood protection for our customers.

In Saskatchewan, we work very closely with our broker partners around the launch of flood coverage. And as a result of doing that, we were very successful at encouraging upwards of 70 to 75 per cent of our customers today in the province would have overland flood protection.

Ms. Rancourt: — Would there be some reasons why customers wouldn't be able to receive flood insurance?

Mr. Cartmell: — About 10 per cent of our customers live in areas where, based on flood maps that we use, we weren't prepared to offer the coverage at a rate that we thought they would be willing to purchase it at. So there are some parts of the province that are flood prone that we simply can't offer affordable flood insurance for. Thankfully it's less than 10 per cent, but it's still about that range.

[15:45]

Ms. Rancourt: — And with regards to those flood plain areas, they're rated like 100 years, 200, 500 years. What would be the scope that SGI Canada would be using with regards to ensuring that customers can have that insurance?

Mr. Cartmell: — I'm sorry, I don't really know whether it's 1 in 100, 1 in 500. Those numbers get thrown around an awful lot. We worked with one of our partners to come up with robust flood maps that basically came up with a value where we thought the coverage would be affordable for customers.

Ms. Rancourt: — Is there any predictions for the year ahead on potential claims?

Mr. Cartmell: — Potential claims, like generally?

Ms. Rancourt: — Are you getting prepared for a certain disaster that could potentially happen? I know we were surprised with an early amount of wildfires so far this spring. And so as an insurance provider, do you make any type of predictions on what you might expect for some potential claims?

Mr. Cartmell: — Every year when we do our financial budgets, we always look at our history with respect to storms and storm-related losses. And we make sure that we incorporate dollars into our budget based on, I'd say, a reasonable or a best estimate of what we expect to have happen from a loss perspective.

In addition to that, we can never predict where or what the losses might look like, but we do every year make sure we have what we call a cat plan — a catastrophic claims plan which we just shorten to a cat plan — where we make sure that we have our processes and our program in place at the start of every storm season in terms of, you know, what's going to happen when a storm or an event happens. And again, we can't predict if it's going to be, you know, wildfires in northern Saskatchewan, or wildfires in British Columbia which we have exposure to, or hail anywhere on the prairies. It's really hard to predict. But SGI, like every other insurance company, has a cat plan in place. And we identify claims staff that are prepared to drop everything and go to a community and meet with our customers and try and settle the claims as quickly as possible.

The Insurance Bureau of Canada, which is the umbrella group that represents Canadian property casualty insurance companies, they themselves usually set up a command post in those communities and invite insurance companies to set up shop where they are so that it's really quick and easy for our customers, or any customer, to get access to that service quickly. And usually in the early days, it's simply cash advances so that they can go stay in a hotel or get away and go stay with relatives, or it's extra spending money for food, or maybe they had to leave their home quickly, you know, with the clothes on their backs and that's it.

So most of the time people just want something quickly and they want to know they're being looked after. And honestly, most of our customers tend to be quite patient knowing that when these things happen, there's pressure on all the public services whether it's insurance companies or government services. And our customers are usually quite good and understanding when those things happen.

Ms. Rancourt: — Thank you. In 2017, the Auto Fund recorded the lowest number of traffic fatalities in six decades. Are you able to tell me how that might compare to what the numbers might be in 2018?

Hon. Mr. Hargrave: — The number for 2018, it won't be out until end of May, first part of June, before those numbers are calculated. There's a lot of . . . We try to determine from there the cause or what potentially was the cause of death. As you know, there was a substantial decrease in 2017 due to impaired driving, 40 per cent because of drinking and driving. We had a 40 per cent decrease in impaired deaths. So before we're provided with that number, we have to wait for results from the autopsy results. We have to wait for a number of things. So I know last year it was about the first of June or so when we got the numbers, and the year before it was about the first of June when we got the . . . It seems like a long time, but sometimes the autopsy results and stuff are a significant period of time before we get them.

Ms. Rancourt: — Workers' Compensation, we just had the Day of Mourning with 48 workers that died in Saskatchewan last year, and one of the areas of deaths is traffic accidents. And so in what way do you work with Workers' Compensation Board to help reduce those numbers?

Hon. Mr. Hargrave: — Yes, we work with them through WorkSafe Saskatchewan, and so we're a member of that with them and so we will hold communications with them. Our concern is around the cause of death and what sort of transpired with that. I mean there are some workplace accidents that are traffic fatalities and it's extremely unfortunate. I know in 2017, for example, we had the lowest number of fatalities in our province since 1954, so we were, while one death on the highway is far too many, we were pleased that that number was down substantially. Unfortunately, I mean in 2018 there was an exceptional accident as we all know that took many lives. But we work . . . And of that, the number, six of them were Workers' Compensation, were employees. But we work with them through workplace Saskatchewan.

Ms. Rancourt: — So I know we're working on the annual report, but I know when the budget was released and discussed, they talked about how there was a decrease in the Auto Fund. Can you tell me a little bit about the Auto Fund? Or maybe I'm misinformed about that but I thought they indicated that. Can you tell me a little bit about if the Auto Fund is increasing or decreasing or . . .

Hon. Mr. Hargrave: — Are you meaning rates or are you meaning financial, just financial results?

Ms. Rancourt: — The financial results.

Hon. Mr. Hargrave: — Financial results.

Mr. Stepan: — In the 2017-18 financial year we had . . . A big part of our results come from investment returns, and like other insurance companies, like others in the investment markets, we had an exceptional year in 2017-18. The forecast was that that wouldn't continue, and with that we were expecting lower overall return increased to the rate stabilization reserve from the exceptional results that we saw in 2017-18.

Ms. Rancourt: — Okay. And I'm sorry if I feel like I'm jumping all over the place, but like I said, SGI is so big and I'm trying to cover a lot of the areas, and our time is almost ending here. So I want to make sure that I touch on the SGI Canada's farm business

unit. There was some discussion even in the minister's remarks with regards to the creation of that unit. How is that going?

Mr. Cartmell: — I'd say it's going well. I can give you some background on why we created it if you would like. So as a Saskatchewan Crown and as the largest competitive insurance company in the province, we have a farm insurance portfolio in excess of \$100 million a year. And this is a substantial part of the reason, I would think, that we have a Crown corporation in the province. And we noticed that the farm industry has changed dramatically over the years, of course, and I don't need to get into all the details as to why.

Insurance coverage and insurance practices haven't changed over the years, and for most insurance companies, farm business was almost basically ignored. And we basically looked at our farm portfolio and thought that we should be really good at farm insurance. We should do consultations with our farm customers, implement dealers, grain operators, and start to understand the business. If a prairie-based insurance company doesn't understand farming, there is a problem with that. And so the farm business unit was created to basically have a focus within our company on our farm portfolio and to become really good at understanding what farmers needed, what kind of support they expected from us to put the products together that met that need.

And then when it came to claims handling, farm claims can be complex. The machinery, of course, is getting more and more complicated all the time, and we wanted to make sure that we understood all that and we were adding value to our farm customers. And so that's the reason for the creation of it, and so far I would say it's going well. It is a work in progress and we have a number of initiatives that we need to keep working on, but it was created in 2017-18 because we knew we needed to be really, really good at that part of our business.

Ms. Rancourt: — So how many teams are within the province and where are they located?

Mr. Cartmell: — We have 20 or 21 claims offices in 13 different communities. Head office of course is here in Regina. We also, in Saskatoon, have some other support offices, but most head office staff will be located here in Regina and spread throughout the province. It tends to be our claims and Auto Fund issuing services — driver testing, training, that kind of thing.

Ms. Rancourt: — I know my time is coming to an end.

The Acting Chair (Ms. Heppner): — We actually started at 3:05.

Ms. Rancourt: — Okay.

The Acting Chair (Ms. Heppner): — So just take the full hour and we'll go to 4:05, so you have a couple more minutes.

Ms. Rancourt: — All right, good. Okay, so the minister's report and the annual report in 2017-18 indicated that there was another profitable year generating a dividend of 35.8 million with the gaining of customers and partnering with brokers throughout Canada. So how many more customers did we have outside of Saskatchewan in these other neighbouring provinces?

Hon. Mr. Hargrave: — While we're looking for that number, I want to just . . . I'll follow up on one of the things we said we would get for you earlier on in the questions. As far as First Nations employees, the number that self-identified was 215. And the number of employees identifying with disabilities was 136. That was as at March 31st, 2018.

Ms. Rancourt: — Okay. With response to that, what is SGI doing to try to encourage further diversity within their staffing complement?

Mr. Cartmell: — In our human resources area, we have a team that's focused on our hiring practices. We strive to mirror the communities in which we operate. That's one of our goals. We operate under a mandate from the government to make sure we are representative of the province that we do represent.

So I can't detail the programs, but I can assure you that we have a number of programs that are intended to make sure that we are representative of the different population bases throughout the province. And we have specific teams that work on it.

Ms. Rancourt: — Thank you.

Mr. Cartmell: — With respect to your question about in Saskatchewan and outside of Saskatchewan, I can't tell you the number of customers. But I can tell you the premium volumes between our two components in SGI Canada. So in 2017-18, 34.6 per cent of SGI Canada's premiums were from outside Saskatchewan, and that was up from 32.3 per cent the year before. So we are growing faster outside of Saskatchewan than inside, with the intention of trying to get to 40 per cent of our business outside of Saskatchewan and 60 per cent inside by the end of the year 2020. And we're on track to do that.

Ms. Rancourt: — In what ways are you trying to promote that? What ways are you working at expanding the business outside of Saskatchewan?

Mr. Cartmell: — We have business development teams in Ontario, Alberta, Manitoba, and British Columbia, and their job is to engage and work with brokers. So in those provinces a primary way is becoming known as an insurance company that is good to work with, that's committed to brokers. One of our sayings is, we're a 100 per cent broker company; we do not sell direct. And brokers like that. We work hard at building our reputation outside of Saskatchewan. We're seen as a company that is innovative and creative and tries to work with and support our broker partners. And basically by adding new brokers in other jurisdictions, we grow.

Ms. Rancourt: — Do you have that number of how many brokers you have outside of Saskatchewan?

Mr. Cartmell: — No. Sorry, not at our fingertips, we don't.

Ms. Rancourt: — What percentage of the dividend paid was profit, total profit?

Mr. Cartmell: — The dividend, by definition, is all profit. When we make money and declare and have a profit, a portion of that gets declared as dividend.

Ms. Rancourt: — And have we seen this increasing over the years, especially with the increase of customers?

Mr. Stepan: — The intent of growth is to increase our profit, and we have seen trends that our profit is increasing, but that's not going to be consistent year over year. It's going to vary depending on our underwriting results with storm losses. It's going to vary depending on investment markets, what's going on with the markets, and our return on our investment portfolio. But generally we have seen an increase in profitability, which translates to higher dividends.

Ms. Rancourt: — I know I have another question I'm allowed to ask, but I think I'll conclude my questions right now. But I just want to say that I'm really happy with the results that we're seeing from SGI, and I know it's because of the good work of the staff that are in our province here. And we're really happy to see the growth, even outside of Saskatchewan, because I think that will make our insurance company even stronger. And it's nice to see that other provinces are recognizing this to be a good company to invest in.

And so I want to congratulate you on your goals that you guys have reached and your future plans on expanding that, and thank you for answering a lot of my hard questions. And like I said before, I'm new to this, so I'll be able to adjust maybe more accordingly for the next time. And so I look forward to hearing more of the results that are going to be coming throughout the year with information coming forward.

So I want to thank you for being here and I want to thank my colleagues as well for being really attentive and listening to the remarks today. And, Madam Chair, I conclude my questions. So thank you.

The Acting Chair (Ms. Heppner): — Thank you for that. Seeing no further questions, I would ask that a member adjourn consideration of the 2017-18 SGI Canada annual report and 2017-18 Saskatchewan Auto Fund annual report. Ms. Lambert has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Acting Chair (Ms. Heppner): — Carried. Minister Hargrave, do you have any closing comments?

Hon. Mr. Hargrave: — Yes, Madam Chair. Thank you very much, and I want to thank you for chairing the committee here. I want to thank Hansard up there. I want to thank all the committee members. But most of all I'd like to thank the staff at SGI, the staff that are here plus the staff that are working for SGI throughout the province and throughout Canada, throughout all our locations.

And the member was right there. It's great when we show profitability from outside the province because that money comes back here, right here to Saskatchewan. So that's really good to see. So I want to thank the member for her questions and we look forward to the next time we get together to meet to discuss the next year's financial results.

The Acting Chair (Ms. Heppner): — Thank you, Minister. We will now take a short recess so that you can get some different

officials and we'll carry on in about three minutes.

[The committee recessed for a period of time.]

[16:15]

Crown Investments Corporation of Saskatchewan

The Acting Chair (Ms. Heppner): — Well welcome back, and to the minister. We will now begin our consideration of the 2017-18 Crown Investments Corporation of Saskatchewan annual report. Minister Hargrave, I would ask you to introduce your officials and make any opening comments that you may have.

Hon. Mr. Hargrave: — Madam Chair, it's good to have you back. And I will introduce my officials with me this afternoon. They are Mr. Blair Swystun, president and CEO; Mr. Doug Kosloski, senior vice-president and general counsel; Ms. Cindy Ogilvie, vice-president and chief financial officer; Mr. Travis Massier, corporate controller; Ms. Joanne Johnson, executive director of communications; and Ms. Angela Currie, my chief of staff.

Due to the scope of CIC [Crown Investments Corporation of Saskatchewan], I have some comments that may be a little long. I'll try to get through them as quickly as possible.

As in past years, the 2017-18 annual report provides two sets of financial statements: consolidated and separate financial results. The report we are discussing today covers the 12-month period ending March 31st, 2018. CIC uses a comprehensive framework designed to strengthen governance, performance, and accountability to oversee the Crown sector. It assists Crown corporations in carrying out their individual mandates, providing advice, direction, and oversight guided by the government's priorities that inform the Crown sector strategic priorities. These strategic priorities provide a focus on the coming five-year period to guide the sector's planning and goal setting and are reviewed and refreshed each year.

As we reported last July when this report was tabled, the sector produced solid financial results, recording net earnings of \$503 million in 2017-18, an increase of \$104 million over the previous year. The increased earnings were primarily related to increased earnings at SaskPower and the wind-up and sale of the STC [Saskatchewan Transportation Company] assets. On behalf of the sector, CIC provided \$205 million in dividends to the General Revenue Fund, surpassing the budgeted target of 180 million. From 2013 to 2017-18, the Crown sector has contributed \$1.3 billion in dividends to the GRF [General Revenue Fund].

Throughout 2017-18, the sector continued to focus on customer growth, cost restraint and efficiencies, and infrastructure renewal and development. Capital spending increased in '17-18 by \$129 million over the previous year, totalling \$1.6 billion.

Looking ahead to 2019 and '20 through 2023-24, capital projects focused on infrastructure renewal and technological enhancements to meet the demands of growth will result in an estimated average annual investment of \$1.7 billion. Crown assets total 19.0 billion as at March 31st, 2018, 0.9 billion higher

than in 2016-17. The growth in the value of total assets continues to outpace the increase in debt of 0.4 billion. The overall debt ratio at year-end for 2017-18 of 61.7 per cent is slightly lower than the budgeted target ratio of 62.8 per cent.

CIC monitors the Crowns' financial health using debt ratio as one of the measures and ensures debt is carefully managed and remains at appropriate levels consistent with industry standards. Consolidated return on equity was 9.9 per cent in '17-18, 1.5 percentage points higher than the previous year. ROE [return on equity] has been rising annually since 2014 when it was 3.5 per cent. Indicators like ROE are among those CIC uses to monitor financial health within the sector. This result, in particular, represents steady, reliable attention to business practices and responsible stewardship by the sector. Within the consolidated section of the report you'll find condensed reporting for each of the subsidiary Crowns. I'll touch on a few notable points across the sector.

In '17-18 SaskPower invested approximately \$1 billion in the provincial electrical system. In '18-19 a further 934 million was invested into generation, transmission, and distribution infrastructure to enable reliable, sustainable, and cost-effective power for Saskatchewan people. Changing regulations requiring the phase-out of conventional coal generation, increasing performance requirements for natural gas power generation, and the federal government's price on carbon all present industry challenges. SaskPower is moving ahead with its plan to increase renewable power generation sources by 2030. Working with the provincial and federal governments, the final stage of an equivalency agreement is under way. This agreement will provide the flexibility SaskPower needs to meet prescribed greenhouse gas targets on a system-wide basis rather than on a per-unit basis.

SaskTel invested approximately 300 million in 2017-18 to improve customer experience across its wireless, TV, high-speed internet services. Changes in customer demand, rapidly evolving technology, increasing competition, and regulatory uncertainty all contribute to pressures on SaskTel's bottom line. SaskTel plans significant investment in network technologies, network infrastructure, systems, processes, and workforce skills to ensure it is well positioned to meet the challenges. Customer experience, as well as improved rural wireless service and self-serve capabilities, continue to be the focus for '18 and '19.

SaskEnergy remains focused on providing safe, reliable, and affordable service. To date public awareness efforts have achieved a 37 per cent reduction in third-party line contacts since 2013. We want that trend to continue. Demand for natural gas continues to grow as major industrial customers expand operation. More gas will be transported using an aging pipeline system which underscores the need for incremental investments in renewing pipeline facilities. Natural gas prices remain low which benefits customers by enabling SaskEnergy to pass along lower commodity rates. The gas utility is focused on providing safe and reliable service by continuing to invest in the integrity and reliability of its pipeline systems.

SaskWater celebrated the completion of two regional municipal infrastructure projects in Elbow and Melville in 2017-18. This secured a reliable water supply for those communities now and into the future. The water utility will continue to focus on growth

of core lines of business and cost efficiencies. Plans to invest in new and existing customer infrastructure exploring remote monitoring services for independent communities were a focus in '18 and '19.

SGI Canada has a strong growth in 2017-18, increasing the direct premium written by 9.2 per cent, totalling \$810.9 million. This highly competitive and rapidly changing industry will continue to challenge SGI with regulatory and compliance requirements. The long-term goal for the Crown is to achieve a better geographic spread of risk. SGI is on track to achieve \$1 billion in direct premium written by 2020. With a focus on enhancing overall customer experience and carrying out strategies for growth in markets outside of the province, along with maximizing Saskatchewan opportunities, SGI is well on its way to achieving that goal.

SGI's focus on achieving traffic safety initiatives along with legislation that strengthened penalties for impaired and distracted driving over the past few years has proven to be very effective. Saskatchewan achieved a significant milestone in '17-18 recording the lowest number of traffic fatalities in six decades. We can expect SGI's focus to continue — even one fatality is one too many. And we have just observed the one-year anniversary of the Humboldt tragedy, we are reminded that we cannot stop focusing on safe driving and changing the attitudes of drivers in Saskatchewan.

SaskGaming, through Casinos Regina and Moose Jaw, entertained over 3.5 million visitors in 2017-18. While operating in a mature gaming market, it is forecasting solid earnings in the coming year, and expects the number of guest visits to remain steady. The entertainment Crown is moving forward with gaming modernization to enhance the guest experience and focus on improved employee training and strategic initiatives in '18 and '19.

SOCO [Saskatchewan Opportunities Corporation] continues to help grow Saskatchewan's technology sector. Out of a total of 172 new technology companies that began at Innovation Place, 124, or 72 per cent, are still operating today. That's more than twice the five-year survival rate for new businesses in Canada. Of those, 117, or 68 per cent, are still operating in Saskatchewan. Sixty of those are still operating at Innovation Place. That's a pretty impressive record.

SOCO will continue to support the growth of its tenants' business as well as encourage and support the establishment of new tenants according to their strategic fit into the core technology clusters.

This annual report provides the consolidated financial results of Crown sector operations. In addition, we profiled the corporate social responsibility and community partnerships the Crowns support in Saskatchewan. We're proud of the Crown sector's commitment to Saskatchewan communities and we're happy to profile it in this report.

We are also proud to profile the commitment to diversity, including gender parity, on Crown boards, with women making up 53 per cent of board membership in '17-18. All but one Crown board, SGI, had at least 50 per cent woman board members. We are proud to note that three Chairs are women and the first

Aboriginal woman in a Vice-Chair position was appointed.

Diversity representation on the boards also progressed with 10 per cent Aboriginal representation, including the first Aboriginal board Chair appointed. Representation of visible minorities was 8 per cent, up from 5 per cent previously.

These results show progress. We know we need to maintain our focus on increasing representation on Crown boards as well as in Crown corporations overall. Diversity information will continue to be reported annually through the Crown demographic reports available through CIC.

This concludes, Madam Chair, my opening comments. We are now ready to answer questions that you may have. Thank you very much.

The Acting Chair (Ms. Heppner): — Thank you, Minister. And I will remind officials to please state your name the first time you speak for the record. Questions? Ms. Sproule.

Ms. Sproule: — Thank you very much, Madam Chair. Thank you for taking the chair. Thank you, Mr. Minister. Just a couple follow ups from your opening comments. Just in the very end you were talking about the percentage of Aboriginal representation. Last year you said it was at 10 per cent. And then is it 10 per cent again this year? So it hasn't actually increased? It's just stayed the same?

Hon. Mr. Hargrave: — Correct.

Ms. Sproule: — And then visible minorities you had reported last year were up to 10 per cent, and they're now down to 7 per cent. Is that correct?

Hon. Mr. Hargrave: — Yes, 5 per cent isn't, and 8 per cent . . . 5 per cent's not a year-over-year. It's based on where we've come over the last few number of years. It was 5 per cent a few years ago, and it's now hovering around the 8 per cent.

Ms. Sproule: — Right. Just last year in committee you said "Representation of visible minorities members also increased from 5 per cent to 10 per cent in 2016-17." And so now you're saying between . . . in '17-18 that actually decreased to 7 per cent?

Hon. Mr. Hargrave: — Yes. There was some changeover in the boards, and it's now at 8 per cent. And we're working diligently to get that back up and over the 10 per cent for the going forward.

Ms. Sproule: — Just wanted to be sure the record reflected that there was a decrease. Okay. Thank you.

[16:30]

You mentioned the carbon tax in your opening comments. And as you know, it was imposed in Canada, or in Saskatchewan, April 1st 2019, but was retroactive until January 1st, 2019. And Crown corporations are obviously involved in that tax. What advance planning was undertaken to prepare for the application of the federal carbon tax at CIC and the Crowns? And specifically what budget planning took place?

Hon. Mr. Hargrave: — There's ongoing planning throughout. I mean, SaskPower, SaskEnergy were involved in the climate resiliency planning and throughout '17-18 and onward. But there's always that advance planning that is involved, and it was advance planning through '17-18 through, with SaskPower, SaskEnergy, through climate resiliency.

Ms. Sproule: — And what sort of planning was specifically undertaken?

Mr. Swystun: — Blair Swystun. The Crowns have been part of the province's prairie resiliency strategy working . . . And there is an ongoing working group that's been in place for a period of time. So the major impacts on the Crown sector are at SaskPower and SaskEnergy.

SaskPower's been working with the federal government for a number of years on coming to an agreement on terms on an equivalency agreement, and it appears that we are close to having that finalized on terms that would be acceptable to the federal government. That is very good news for SaskPower because it allows the continued operation of its remaining coal-fired plants through to the end of their economic life.

There's also planning that's been taking place at SaskEnergy. Those would be the two largest Crowns that have the greatest impact and so they've both been preparing for the implementation of the tax and then obviously the announcement that's been out there publicly for a period of time now. SaskPower is working towards meeting its greenhouse gas reduction targets through a strategy that would involve transitioning away from coal into lower forms of emission, whether it's natural gas, wind, solar, and hydro, and so on. And that could involve transitioning to up to use of 50 per cent electricity generation from renewables.

Ms. Sproule: — In terms of the federal carbon tax, how has that impacted the other utilities? And maybe more specifics about how it's impacting SaskEnergy in particular.

Hon. Mr. Hargrave: — Well CIC is more focused on the financial aspect of all the Crowns. Particular questions about SaskPower and/or SaskEnergy on their plans and whatever, as it relates to the carbon tax, would be better asked to the ministers responsible, directly responsible for those Crowns, be it SaskEnergy or SaskPower.

Ms. Sproule: — Thank you. I'll be with SaskPower on Monday so I can ask the minister then. The Premier announced in the media that the carbon tax funds for SaskPower are being collected and held in trust. Is CIC involved in the holding of those funds?

Hon. Mr. Hargrave: — Well again that would be not in '17 and '18.

Ms. Sproule: — Oh, okay. You've referred to '18-19 yourself a couple times.

Hon. Mr. Hargrave: — Did I say that?

Ms. Sproule: — Yes. Well in other situations, so I thought it was kind of part of the discussion. Okay. Page 24 of your '17-18

annual report, which is the latest one we have, your debt ratio was projected to be 62.1 and I think I heard you say it was 61.7. Was that the final result for the '17-18 projection? It would be the projection for '18-19, I'm sorry, '18-19, the year that just passed.

Mr. Swystun: — So the statistics side of the minister's remarks referred to the target set at the start of the year. For fiscal '17-18, that target was 62.8 per cent. The result at the end of the fiscal year was slightly better than that, 61.7 per cent.

Ms. Sproule: — All right. And on the same page you talk about your '18-19 target. Do you anticipate that you will meet that target? Your year-end is over.

Mr. Swystun: — So the fiscal year-end has ended of course, but we're still in the process of producing the consolidated results and they're subject to audit as well, so we don't actually have the final result. I can tell you that the results came in, in terms of earnings, slightly better than the target, so I would anticipate that the result on the debt ratio would be near the target. I don't expect any kind of a significant deviation.

Ms. Sproule: — Thank you, and I appreciate that this is still a work-in-progress, so I understand that. In terms of capital infrastructure spending, you know, you mentioned it now for SaskEnergy with aging pipelines there as well. Would you have sort of a forward look in terms of what your targets would be for the debt ratio or is that something you can speak to?

Ms. Ogilvie: — Cindy Ogilvie. So looking forward for the Crown sector, we have capital spending and borrowing to fund that and they generally increase lockstep. So our target will stay pretty much consistent around that level. You will see some capital increases over time, but we should stay within that debt ratio target.

Ms. Sproule: — Presumably more customers are being added and revenues are going up. You referred to ROE in your opening comments. Is that return on equity? Is that the expression? So how does that differ from a return on investment?

Mr. Swystun: — So return on equity and return on investments are both measures that assess whether investment in assets are generating a return. Return on investment is measured against the overall value of assets. So as the minister mentioned in his remarks, overall assets on the books for CIC for the fiscal year under review are about \$19 billion. Those \$19 billion in assets are in turn financed in two ways, partly by debt and partly by equity, and that's what the debt ratio measures.

I'm just rounding here, but roughly 40 per cent or slightly less than 40 per cent of that investment of \$19 billion would have been financed by equity. So the return-on-equity measure measures the return on those dollars, and those dollars represent the public's investment in Crown corporations.

Ms. Sproule: — Is there a figure for return on investment? Is that something you can share? If I understand correctly, that would include both the debt and the public investment.

Mr. Swystun: — I don't think we actually calculate that in the annual report. It would simply be the net income for the year

divided by the assets though.

Ms. Sproule: — Net income was . . .

Ms. Ogilvie: — Net income for the year was 503 million.

Ms. Sproule: — And divide that by 19 billion, and that should be the return on investment? Okay. I can do the math later.

Page 148, I'm going to move now to page 148 which is your projections for dividends and Crown corporation earnings. This is basically looking ahead to '18-19 which is the year that just finished. And I'm just wondering if your projections, as far as you can tell, and I realize again that you are still consolidating everything, would you feel that the consolidated total that you're projecting for '18-19 is on track?

Hon. Mr. Hargrave: — You're asking about consolidated earnings? Is that it?

Ms. Sproule: — The Crown corporations dividend, yes, the earnings.

Hon. Mr. Hargrave: — The earnings or dividends?

Ms. Sproule: — The earnings first.

Hon. Mr. Hargrave: — Well the target was \$469.5 million, and it was a fairly strong year. And we're expecting that earnings would come in higher than that, which would result in, you know, a higher-than-anticipated dividend as well.

Ms. Sproule: — You have a line item on there called CIC separate and other and the footnote indicates this would include First Nations, Métis funds, CIC Economic Holdco Ltd., and other inter-agency adjustments and dividends for CIC's 31 per cent ownership of ISC [Information Services Corporation of Saskatchewan]. You were projecting a loss of \$9.1 million. Where would that loss be mostly located?

Ms. Ogilvie: — So that amount that you see there, the negative 9.1, when you include all the numbers essentially is CIC's cost to run our operations, which is between 10 and 12 million a year. And it's offset by the dividends that we receive from ISC every year, which is around \$4 million. CIC's internal operations, just to run, pay the rent, pay salaries.

[16:45]

Ms. Sproule: — I'm just confused because that's listed under Crown corporation earnings, so I'm not understanding why you would report it there.

Ms. Ogilvie: — CIC is a holding company. We have our own operations.

Ms. Sproule: — And that would be the separate report that's at the back of the annual report. All right. Thank you.

If I recall correctly, I know SaskPower hasn't paid dividends for a number of years. But was that announced in the budget this year that there's an anticipation there will be a dividend from SaskPower this year?

Hon. Mr. Hargrave: — Well it wasn't announced in the budget, no.

Ms. Sproule: — Oh. I thought I heard some . . .

Hon. Mr. Hargrave: — It might've been in the questions after, but it was never announced in the budget.

Ms. Sproule: — All right. I can ask SaskPower on Monday . . . [inaudible interjection] . . . Yes, lots of Crowns.

In terms of the estimates for this year, the '19-20 Government of Saskatchewan estimates, there was an equity repayment from the Crown Investments Corporation of \$100 million. Can you point first of all where that equity shows on your financial statements?

Ms. Ogilvie: — So if you turn to page 75 in the annual report that you have in front of you, it should be the balance sheet. At the bottom of the balance sheet it shows province of Saskatchewan's equity.

Ms. Sproule: — All right. So it was that 908 million at the end of the last fiscal year?

Ms. Ogilvie: — Correct.

Ms. Sproule: — It would remain at 908 million at the end of the '18-19 fiscal year, but within the present fiscal year it will drop \$100 million, is that correct?

Ms. Ogilvie: — That's correct.

Ms. Sproule: — Okay. On page 162 of your annual report there's a reference to equity advances to Crown Corporations, and is there any relationship between those equity advances and that number on your balance sheet?

Mr. Swystun: — So the table on page 162 refers to equity advances from CIC to subsidiary Crown corporations. So the subsidiary Crown corporations received investment when they would have been first established to finance their operations, sort of in the same fashion that the equity advances from the General Revenue Fund to CIC provides financing to CIC. Those advances would in turn have been flowed through to subsidiary Crown corporations to fund their initial investments in their respective assets.

So there is a relationship, but it's not necessarily a one-to-one relationship. There would be equity repayments from CIC back to the General Revenue Fund from time to time, based on funds available at CIC. And that could be funded partially by funds received from Crown corporations or from funds held within CIC, for example from things like asset sales of assets held directly by CIC.

Ms. Sproule: — The 100 million that's been now equity repayment to the GRF, is that cash that CIC had on hand? Or will you be drawing from the equity advances to the Crowns?

Mr. Swystun: — So the funding for the \$100 million equity repayment would come from a combination of sources. CIC performed a careful analysis of any opportunities to provide a greater return back to the General Revenue Fund. So we looked

at cash that's held within CIC and there was a determination made that with the wind-down of the assets and the CIC Asset Management Inc. portfolio that some funds held for some contingent liabilities could be returned back to the shareholder.

A similar analysis was done across the Crown sector. SaskPower had very strong results last year. Its debt ratio has been dropping for the last couple of years and is projected to continue to improve. And so there was a determination made that there was some ability for SaskPower to start making modest payments back to CIC. Similar analyses were done across the Crown sector.

So it is something that is done from time to time. Over the last number of years, for example, there was an equity repayment of \$143 million in 2013, \$120 million in 2010. Going back, in 2002 CIC sold some shares in Cameco Corporation, and that was used to fund an equity repayment to the General Revenue Fund. In 1998-99 CIC's holdings in the bi-provincial upgrader were sold and there was an equity repayment of \$85.5 million resulting from that. So it is something that happens from time to time as cash resources permit.

Ms. Sproule: — It seems there's a connection with the previous ones and I'm familiar with them, two actual assets that had been sold. In this case this year, the 100 million, how much of that would have been reflected in the . . . Is it AMI [Asset Management Inc.] you said where you had some assets that were available? How much of the 100 million was made up of that asset?

Hon. Mr. Hargrave: — There is some from asset sales. There is some from cash availability. And I guess that's always been the case, as I look back over the years. I know in 2003 there was, you know, equity repayment of \$168 million and it wasn't from an asset sale. It was just a non-cash foreign exchange, you know, paper gain. So there was no actual asset sale. It was just sort of a paper gain.

So it is a situation that happens in business. And I understand that, being a business person myself, that there's dividends and there's equities that can be based on cash availability as to which way is the best way to go. So there has been a number of those, if you look back over the last 20 years or so, that there has been a number of them done. And some are from asset sales and some are just from cash availability.

Ms. Sproule: — Thanks, Mr. Minister. I run a business, too, so I appreciate the fact that you run a business and that we both understand these kinds of things. But the question was specifically about the 100 million, as you reported earlier, was a combination of cash and assets from AMI. And then I want to ask about SaskPower once I get the answer to that question.

So how much was cash in this year's \$100 million projected? How much is . . . I guess it's happening this year, and you must have some figures in terms of what constitutes the cash payment, what constitutes the asset payment, and what would constitute the equity repayment of SaskPower?

[17:00]

Mr. Swystun: — In general the sources of the equity repayment would relate as follows: 20 million would be a cash drawdown at

CIC that stems from past asset sales. In addition the liquidation of the STC assets, as has previously been reported publicly, has now been completed and yielded about an additional \$29 million. And the balance would relate to cash payments from SaskPower, SaskTel, SaskEnergy, and to a small extent Saskatchewan Opportunities Corporation.

Ms. Sproule: — Is power the largest part of that 510 million? No, it's only 50 million from the first two, so it's actually 950 million is the rest.

Mr. Swystun: — 49 million. 20 million from CIC cash drawdown, 29 million. That gets us to 49. So the balance of 51 million would be from those other Crowns.

Ms. Sproule: — And the largest portion coming from SaskPower?

Mr. Swystun: — Yes.

Ms. Sproule: — Could you provide a break down for those four Crowns in terms of the cash payments? Or you don't have it finalized?

Mr. Swystun: — We don't have the details in terms of allocation of the exact amounts from individual Crowns. So that would be reported publicly both through the fiscal '18-19 annual report as well as the '19-20 annual report.

Ms. Sproule: — I will just wait to find out then. In terms of the equity advances or the . . . Yes, in terms of the four main Crowns that you were talking for the additional \$51 million, would that draw down from the equity advances that you've already given to Crown corporations, or like when I referred to them on page 162? Would that change those figures then?

Mr. Swystun: — So, Madam Chair, in response to the member's question, the cash drawdowns from the Crown corporations would be from a combination of equity repayments, but also dividends. So the dividends paid from year to year are determined under a policy and would represent payments that are expected to be available to be paid on a more of an ongoing basis, whereas equity repayments could be thought of as payments that are more of a one-time kind of a payment and would not necessarily be repeatable.

So it's a bit of a combination of both, in the case of SaskPower as an example. Due to the very cold winter, it had very strong earnings and so there was a determination made that dividends could now be recommenced. And that's a good thing, obviously. And there was also a determination made that due to that, along with some other cash on hand at SaskPower and at some of the other Crowns, that these one-time equity repayments could be made. So in a nutshell, it's a combination of . . . The source of cash for the equity repayment is a combination of dividends as well as equity repayments from Crown corporations back to CIC.

Ms. Sproule: — But in terms of dividends, I guess I'm wondering, Mr. Minister, when CIC board reports that this cash is available, and in the various formats that they show up as, what sort of discussion needs to take place to decide whether you would take it as a dividend or you would take it as an equity repayment?

Ms. Ogilvie: — So looking at, I guess, the decision-making process behind whether or not it's a dividend or equity repayment, typically we'll look at dividends as being fairly stable and predictable over time. So that equity repayments become, as Blair was indicating, cash that's available either because of unusual circumstances like the cold weather asset sales. But there's a freeing up of cash that becomes available and we can make a one-time equity payment, either the Crowns through CIC or CIC to the GRF, whereas dividends become a more stable, predictable payment over time.

Ms. Sproule: — When I look at the dividend payouts over time, I mean there seems to be a fair bit of flexibility or instability in terms of dividend payments. I don't see . . . You look at SaskEnergy — 34 million, 53 million, 42 million, 51, down to 27 million, and as low as 17 million in 2014, and then it jumps up to 64 million in 2016. Would you call that stable?

Ms. Ogilvie: — So looking at those absolute dollar values, that mimics the fluctuation in their earnings over time. So their earnings are very volatile, but dividends are based on a payout ratio. So SaskEnergy's payout ratio has been at about 35 per cent for a number of years, and it's their earnings that then are volatile. But we keep a predictable, fairly sustainable level of dividends from the Crowns. That does change because we do look at their ability to reinvest in their organizations over time. So if they are needing cash to reinvest, ensure that they've got stable infrastructure, reliable infrastructure, that dividend may drop. But it's generally at a fairly stable level, and it's the underlying earnings that are volatile.

Ms. Sproule: — SaskPower's been at zero. That's their stable payout level in the last four years I think, basically since 2009. Except for 2012, you took 120 million from SaskTel as a dividend because that was a unique year. I think there was a lot of rain and the dams performed very well. So that you chose as a dividend. Why did you choose this particular cold winter to use as an equity repayment?

Ms. Ogilvie: — So in looking at, I guess, dividend payments over time, and the dividend level for 2019-20, we've projected a \$250 million dividend, which is consistent with 2018-19, which was 256 from CIC to the GRF. That additional equity repayment is because of capacity to provide more.

SaskPower has been reinstated, as far as dividends are concerned, at a fairly low, sustainable level. They have shown some return to a more stable balance sheet and projecting to improve over time. But we've kept dividend levels at a fairly sustainable level into the future. But they did have some additional cash because of the cold winter and some ability to sell into Alberta and strong demand in Saskatchewan. So moved that into helping to fund an equity payment coming from CIC to the GRF.

I guess, looking at the Crowns and looking at those payments, neither one of them, a dividend or an equity repayment, will impact what the budget balance is. That's all based on what the Crown's earnings are. So it's just a method of moving cash over to the GRF, and it's based on looking at those different drivers of where the cash is coming in.

Ms. Sproule: — What is, I guess, the net impact? I'm more interested in the GRF side of this, but I know that's a finance

question. But is there any advantages to taking an equity repayment as far as the GRF goes? Or is there a disadvantage, perhaps to CIC, in terms of taking it as an equity repayment as opposed to a dividend?

And then the next question is, is we know the debt ratio for SaskPower has been perilously high, and so why wouldn't we take advantage of this situation to help them reduce their debt load?

[17:15]

Hon. Mr. Hargrave: — It doesn't affect the GRF in any way. If it comes through dividend or equity, it just comes in to the GRF. As far as that debt-to-equity, you mentioned that they're perilously high, but they're not actually perilously high. The debt-to-equity ratio is well managed at SaskPower, and it's well within the cap that is established and well within the industry. So it's not out of line, and it's projected to even continue to improve. So it's in a good situation. So SaskPower is in a good situation.

Ms. Sproule: — Thank you. I have one wee question left, Mr. Minister, and Madam Chair. Last time we met we had discussed the management fees for the Saskatchewan Immigrant Investor Fund. You had indicated that the board was looking to review the management fees, and I asked you to provide us a copy of the review once it was completed, and you said you would. I'm just wondering was that review actually completed and, if so, can you table that with the committee?

Mr. Kosloski: — Doug Kosloski. So if I recall correctly, the last time you asked if they were reviewed. We do as a board, we do review. We didn't do a formal review and we haven't done a formal review. But we did provide some correspondence to the committee that set out what the management fees would be from 2017 and to the end of, if I recall correctly, to 2021, and it showed a declining management fee to the manager.

Ms. Sproule: — Yes, I've got that letter in front of me, but that wasn't the question that I asked in committee. It was to see a copy of the review. And what you're telling me is no review has happened then?

Mr. Kosloski: — Correct.

Ms. Sproule: — I look forward to further questions with Crown Investments Corporation in the fall when we have our annual meeting of annual reports, and in particular the subsidiaries, so I didn't get into those today.

Thank you, Madam Chair. Thank you, Mr. Minister, and obviously officials for the good discussion today.

The Acting Chair (Ms. Heppner): — Thank you for your questions. Seeing no further questions, I will ask a member that we adjourn consideration of the 2017-18 Crown Investments Corporation of Saskatchewan annual report. Mr. Tochor has moved. Is that agreed?

Some Hon. Members: — Agreed.

The Acting Chair (Ms. Heppner): — Carried. That concludes our business for this afternoon. Minister, do you have closing

remarks?

Hon. Mr. Hargrave: — Yes I do, Madam Chair. Madam Chair, I want to thank you very much for enduring with us, or being so patient with us, and we do appreciate it. We appreciate all the members of the committee. And we especially appreciate the questions from the member, the one member. And I want to thank Hansard, of course. As always, I want to thank my staff from CIC, not only the ones that are here, but the ones that actually do all the really hard work that are still back at the building working diligently. I want to thank my chief of staff. I also want to thank all the employees and the staff, the management, the executive at the Crowns for the good, hard work that they do.

The Crowns, I feel, are very, very strong. I feel our debt-to-equity position is very strong in those Crowns, is very good in those Crowns. They've done great work over this last number of years in building up an infrastructure and rebuilding an infrastructure in serving the needs of the people of Saskatchewan going forward. They review what has to be done. They know what has to be done. They borrow prudently. And I commend them for the solid work that they do, and I just want to get that on the record.

So that'll wrap it up for my comments, Madam Chair. Thank you very much.

The Acting Chair (Ms. Heppner): — Thank you, Minister, and thank you to your officials and to your staff and to committee members. Seeing that we have no further business this evening, I will ask a member to move a motion of adjournment. Mr. Hindley has moved a motion to adjourn. Is that agreed?

Some Hon. Members: — Agreed.

The Acting Chair (Ms. Heppner): — Carried. This committee stands adjourned to the call of the Chair.

[The committee adjourned at 17:21.]