

Saskatchewan Government Insurance

The Chair: — We will commence the Crown Corporations Committee hearing. The purpose today is to review the '93-94 and '94-95 SGI (Saskatchewan Government Insurance) annual reports.

It is acceptable, is it, to committee members that we'll review the two reports concurrently?

A Member: — Agreed.

The Chair: — Thank you. All right, Minister, I think this is the first time you've attended this committee in your capacity as minister responsible for SGI. Is that correct?

Hon. Mr. Serby: — That's correct.

The Chair: — Okay. I'll just run down a few quick procedures then for you. You may answer questions directly. You are of course ultimately responsible for any answers that are given, but if you choose, you can have your officials answer directly.

We will ask you to make a brief overview of the state of SGI, focusing perhaps on the missions and objectives and how the annual report reflects those mission and objectives. I will then, after you have introduced your officials and made your overview statement, I will ask the representative from the private auditing firm to comment on the audited statements. And then I will ask representatives from the Provincial Auditor's to comment on the statements.

At that point, committee members will address questions, if any, to the auditors. After that we'll throw it open for general questions to you and your officials. We will be adjourning at 11 o'clock. Any questions?

Hon. Mr. Serby: — Not yet.

The Chair: — Okay. Do you have a list of your officials?

Hon. Mr. Serby: — I do, Madam Chairman.

The Chair: — Okay. I wonder if you would have somebody give that to the Clerk. As well, we customarily ask for tabling of the members of the board of directors, the honorariums that they may have received, and the senior management structure and their salary. I assume that you have that prepared for us.

Hon. Mr. Serby: — I have it, Madam Chairman.

The Chair: — Thank you. The Clerk will distribute those. So if you would introduce your officials and take it away, Mr. Minister.

Hon. Mr. Serby: — Well thank you very much, Madam Chairman. And just again a short apology for being late to your ... (inaudible) ... I know that your meetings start promptly, and just a short apology to that.

With me this morning is, to my left, Mr. Alan Cockman, who's the vice-president of the auto fund. To my immediate right is Larry Fogg, who's the vice-president of underwriting. To my far left would be Randy Heise, who's the vice-president of finance and administration. And Jon Schubert, the assistant vice-president of injury claims and rehabilitation, on my far right.

I know ... And I'm Clay Serby, minister responsible for SGI. Good morning to all of the members of the committee and guests. I know that you had indicated to me, Madam Chairman, that I had a short overview and I've prepared some speaking notes that won't take me very long to read. They're about an hour and 15 minutes. So I'm sure you'll want me to ...

The Chair: — Well I would comment that we have Mr. Goohsen here, the member from ... is it called Maple Creek yet?

A Member: — Cypress.

The Chair: — Cypress. Okay. And he provided an excellent example of how quickly you can do too much in too little time. So you can either follow his example or shorten your speech.

Hon. Mr. Serby: — Well I haven't seen Mr. Goohsen's performance, so I'm going to do mine and wait till he tells me how I'm doing with what I want to say.

I'll go through this relatively quickly, talking to the goals of the objectives and where we've been, 1994-1995 with SGI. First I want to briefly state our corporation's vision and mission statement as you've asked, and then describe in some detail how we performed, the relationship to those, of those goals. It's outlined in our annual reports which I know that you've seen.

Their vision is to provide quality, compulsory auto insurance and supporting services to the Saskatchewan people and to be the leading insurer in the province and to develop other markets by providing profitable, competitive insurance products in a manner which will do three things we state: is responsible to and valued by its stakeholders, it's affordable, and contributes to the growth and diversification and economic well-being of Saskatchewan.

It is the corporation's overall vision statement; however in 1995, we defined it and made it more specific to ensure it is consistent with what our goals are. So our 1995 mission statement is as follows — to return the auto fund to a surplus position by December 31, 1999, while keeping in mind three sort of positions: minimizing general rate increases, ensuring fairness in rating, and providing quality regulatory recycling in traffic safety services in province; and to be the leading insurer in the province; and to develop other markets by providing profitable, competitive insurance products while achieving an annual rate of return on equity of at least 20 per cent and a combined ratio under 100 per cent. Last, we want to provide quality consumer services or customer services while managing two things: the cost of claims and our administration costs within the corporation.

That is our overall mission statement, and I'd like to start with the 1994, briefly describing how SGI CANADA, SGI CANADA Insurance Services Ltd. and the auto fund performed, in that order.

For SGI CANADA, 1994, what we say was a very successful year despite some severe summer storms that affected the corporation's bottom line or profit. The corporation earned a profit of about 18.1 million in '94 — not about, 18.1 million, making the ninth consecutive year of profitability for the corporation. In addition, premiums written reached a record high of 130 million, surpassing 1993 high of 125.7 million.

We're saying that what's even more impressive is that SIG CANADA also achieved the underwriting profit of 404,000. This is a rarity in the insurance industry because it's only occurred when premiums earned surpassed both claims and expenses. Such success can only be achieved when underwriting standards and effective cost controls are maintained.

To accomplish this type of financial success, one must maintain a significant share of the market, and the 1994 SGI CANADA remained the single largest insurer in the province with 141 million in premiums. And this represents a 44 per cent of all property casualty insurance premiums written in the province. And the corporation also remained the leader in virtually all of the individual lines of insurance. This is no accident. SGI CANADA maintains its profitability in market share through sound, prudent underwriting and cost-control standards.

However, developing quality insurance project was only part of the goal. Through our experienced staff, a network of brokers throughout Saskatchewan, SGI also provides excellent customer services; 93 per cent of our general claim customers rated SGI CANADA service to them as good or excellent in 1994.

These same qualities are also applied to the corporation's expansion company of SGI Canada Insurance Services Ltd. or SCISL as we call it. In 1994 was the first full year of business operated under SCISL through 11 brokers in Manitoba and eight brokers in Saskatchewan. The company issued 628 policies and generated \$313,000 in premiums written. After subtracting claim costs, expenses and taxes, SCISL earned profits of \$4,500 in 1994. And this may sound like it's not a lot, but considering the competitive nature of the insurance market and profit for a fledgling company like this, it's truly, in our opinion, quite an accomplishment.

And before the end of 1994, SCISL established an office in Winnipeg staffed by regional managers to provide underwriting and claim services to our brokers and customers in Manitoba. I believe the company's business philosophy of gradual and controlled growth has paid off for its shareholders and the people of Saskatchewan.

While SGI CANADA and SCISL did well in 1994, the same cannot be said for the Saskatchewan Auto Fund. The cost of injury claims resulted in the largest annual loss in the auto fund's history of 93.8 million. As a result, deficit in the auto

fund reached 108 million. Although the number of injury claims were lower in 1994 compared to 1993, injury claims totalled 224.3 million in '94 compared to 159.2 million in 1993. This just didn't happen overnight. Injury claim costs have been growing by 12 per cent per year over the last five years.

In the end, SGI really had only two options or two choices in our opinion. And one was to slightly modify the injury insurance portion of the auto fund and increase premiums by at least 8 per cent per year over that period, or to avoid any increases in insurance rates by moving to a different system of insurance for automobile injury claims. SGI chose the second alternative because soaring injury claim costs weren't the only problem with the system.

Our benefit for loss of income, rehabilitation, and permanent injury were embarrassing compared to other jurisdictions in Canada. And anticipating these problems several years earlier, SGI actively restricted to develop the personal injury protection program, or PIPP (personal injury protection plan) as we call it today.

Through extensive consultation with interest groups throughout Saskatchewan, the plan redirected the auto fund financial resources to place a greater emphasis on rehabilitation, loss of income, and other benefits.

Although 1994 was a difficult year for the auto fund financially, the corporation improved on many other programs and services delivered to the people of Saskatchewan. For example, SGI helped draft proposed legislation before the House on drinking and driving countermeasures and a probationary licensing program to help new, inexperienced drivers. A new computer system called SGI CANADA Auto-Mate — or SAM as we call it — was under development. The new system, which was installed in '95, enables SGI to provide on-line drivers and vehicle licence insurers to improve services to the customers. And the salvage division has another record-breaking year, posting an increased profit of 3.9 million.

1994 was the year of change for the auto fund, which carried over in 1995 with the implementation of the personal injury protection program which began in January 1995. Celebrating its 50th anniversary of 1995, the auto fund recorded a modest profit of 3.5 million, primarily due to the implementation of PIPP. Injury claims declined to 117 million compared to 225 million in 1994, a drop of 108 million.

And I want to emphasize to members of the committee that the financial turnaround can also be attributed to other factors. And some of that was, the number of injury claims dropped by more than 30 per cent in 1995 compared to 1994. Investment earnings reached 52.5 million, primarily due to the strong performance of the investment capital markets. And the salvage division also contributed with the record profit of 5.5 million.

After its first year of operation, we believe PIPP did exactly what it was designed to do, which was to improve injury benefits, effectively manage the cost of injury claims, and to avoid the need for rate increases.

Specifically, PIPP has resulted in the development of a new injury program that helps those injured in automobile accidents get back to their former state of health and lifestyle as soon as possible. And I want to emphasize to the members of the committee that this has been accomplished by redirecting financial resources within the auto fund itself.

I want to take a few moments to briefly describe some of the rehabilitative initiatives that have been developed in consultation with several health care organizations and interest groups. In 1995 agreements were reached with Regina and Saskatoon district health boards to provide 1.5 million annually to each of those districts to establish specialized treatment centres for rehabilitation services.

A further \$2.8 million will be provided to the Saskatoon Health District to equip and renovate the City Hospital. SGI will provide 9.3 million to the Department of Health to enhance community-based rehabilitation services for those who suffer severe brain injury.

And SGI entered into an agreement with the University of Saskatchewan and the World Health Organization to study the effects of neurotrauma, whiplash, brain and spinal cord injuries, and SGI will provide an additional \$300,000 in funding for that project as well. SGI also plans to continue with a five-year, 1 million research project with the U of S (University of Saskatchewan) to study and assess the treatment of soft tissue injuries such as whiplash.

And under PIPP, the intent is to provide greater benefits to those who suffer more serious injuries and less on minor injuries, which has been the opposite prior to the implementation of PIPP. Some, as you know, have argued that taking away the right to sue for pain and suffering under PIPP is unfair.

The reality is that the majority of claimants under PIPP are very satisfied, not only with the level of benefits, but also with the service they receive from SGI. Based on a survey completed by injury claimants, 89 per cent were satisfied with the claims compared to 83 per cent under the old plan.

This is no coincidence. In 1995, there were only 48 appeals out of 6,654 injury claims. To be noted here, that none of those appeals went to the second stage, which is mediation, or the third stage, which is the Court of Queen's Bench. Based on those types of numbers, we are confident that PIPP is on the right track.

Financially 1995 was the best year for the auto fund since it last recorded a surplus in 1990. The past year could have even been better had it not been for mother nature. We had six severe storms which resulted in \$17.6 million in claim costs, and unfortunately the auto fund wasn't on its own. SGI CANADA and its expansion company, SCISL, which I talked about earlier, also experienced some claim losses.

And 1995 marked the second year of full business for SCISL. The company SCISL recorded a profit of 154,000 after taxes. And this is significantly more than the 4,500 that I mentioned

earlier, profit from the year previous. SCISL continued with its philosophy of gradual and controlled growth. The company's premiums written exceed 2 million, compared to 313,000 in '94. The company also expanded in '95 into Ontario, appointing its first broker in November and selling its first policy in that month as well.

As a main reissuer for SCISL, SGI CANADA earned an underwriting profit of 68,000 from the 1.1 million it ceded SCISL premiums.

While that helped SGI CANADA's bottom line, our general business operation took a beating from some of the worst summer storms in more than a decade. The corporation earned a modest profit of 4.4 million compared to 18.1 million profit in '94.

Still, a profit in 1995 is an accomplishment considering that 10,000 summer storm claims cost SGI CANADA 22 million, or 18 million after reinsurance returns. One storm in particular, which is the one outside the community of Pilot Butte, cost \$11.5 million itself in damage claims.

On the bright side, premiums written reached a record of 140 million, which surpassed 1994 records of 130 million. 1995 was a special year in many ways. We celebrated our 50th year of business and we implemented our new injury insurance plan and the single biggest change in auto fund history in Saskatchewan.

Some future challenges that we have. Under PIPP we are working towards the establishment of secondary rehabilitation and treatment centres in other communities throughout Saskatchewan. Most of our efforts here will be certainly focused on the larger regional centres in Saskatchewan where we're going to have multi-disciplinary teams working in the secondary rehabilitation treatment.

We also plan to complete our research initiatives with the University of Saskatchewan and the World Health Organization to find new and better ways of treating brain, spinal cord, and soft tissue injuries. We're working closely with the workmen's compensation people; there may be some opportunities here where they can use some of the services that we're providing to help treat some of the people who have soft tissue injuries under the workmen's compensation plan.

And we are working towards the successful completion of our SGI automated computer system to improve customer services through on-line licensing issuing, short-term registration, and convenient licence registration payment options.

And if approved in the legislation, we will be implementing the new drinking and driving countermeasures to reduce impaired driving in Saskatchewan. I know that there are a number of members, couple of members on the committee, who are sitting . . . of that committee who are sitting in your committee here, Madam Chairman, who I'm sure will be supporting this initiative. And here we'll also be seeing, if implemented, this legislation will see reduced costs to SGI.

Included in the legislation is the provision for the probationary licensing program for new drivers which will be implemented in 1997. And a serious issue facing all auto insurances is that the vehicle damage claims costs are rising due to new technologies such as air bags, and SGI is studying this issue in some detail.

Also you've heard, SGI faces some interesting challenges in meeting its corporate vision and mission statements. And again this year SGI will review its mission and goal to ensure that they are in step with the competitive . . . and challenges of the insurance industry.

And that concludes, Madam Chairman, my short presentation. On behalf of my officials and I, we look forward to taking your questions as they come forward.

The Chair: — Thank you, Minister. I will now ask Tom Robinson from KPMG to make a comment.

Mr. Robinson: — Good morning, Madam Chair, and members of the Crown Corporations Committee. Thank you for the opportunity to comment on the results of our audits on the December 31, 1994 and 1995 financial statements of Saskatchewan Government Insurance, the Saskatchewan Auto Fund, and SGI CANADA Insurance Services Ltd.

We conducted our audits in accordance with generally accepted auditing standards, and in our opinion the financial statements of Saskatchewan Government Insurance, the Saskatchewan Auto Fund, and SGI CANADA Insurance Services Ltd. present fairly in all material respects the financial position as of December 31, 1994 and 1995, and the results of operations and changes in financial position for the year then ended and in accordance with generally accepted accounting principles.

In accordance with sections 11 and 12 of The Provincial Auditors Act, for each of the corporations previously referred to, we also examined the systems of internal controls, made examinations of specified legislative and related authorities, and examined other matters.

For the December 31, 1994 year end, we reported to the Provincial Auditor for each of the corporations that, in our opinion, the systems of internal control were sufficient to meet the objectives stated. The corporations have complied in all significant respects with specified legislative and related authorities, and that no instances came to our attention regarding the improper use of public money by any officer or employee of the corporations.

For the December 31, 1995 year end, we are in the process of completing the reporting requirements under sections 11 and 12 of The Provincial Auditor Act. The management of the corporations, KPMG, and the Provincial Auditor's office implemented the recommendations of the task force on the roles, responsibilities, and duties of auditors for the December 31, 1994 year-end audits and continued to follow the recommendations for the December 31, 1995 year-end audits.

We'd like to take this opportunity to acknowledge the

cooperation and assistance extended to us by the personnel of the corporations during the course of our audits. We'd be pleased to respond to any questions.

The Chair: — Thank you. Mr. Atkinson?

Mr. Atkinson: — Yes, thank you. My colleague, Mobashar Ahmad, has responsibility for the audit of SGI in our office, and I'll ask him to make our comments for this corporation.

Mr. Ahmad: — Thank you, Madam Chair, members. As Tom stated, we have completed our audit for the year ended December 31, 1994 of SGI, Saskatchewan Auto Fund, and SCISL. We have no matter to report.

As for December 31, '95 is concerned, we have completed our audit for the financial statement. We have no matter to report. We have not yet completed our audit on internal control, unless it complies for those three entities, and we will report when we have completed our work. That's the end of my report.

The Chair: — Thank you. Do any members of the committee have questions of either the Provincial Auditor or KPMG?

Mr. D'Autremont: — Thank you very much. To the Provincial Auditor, do you have any idea how soon your audit will be completed?

Mr. Ahmad: — We are in the process of receiving some information from KPMG. Once we have seen that information, we will complete our work.

Mr. D'Autremont: — But you don't have any time frame in mind for that?

Mr. Ahmad: — We are planning to have everything done by the end of this month.

Mr. D'Autremont: — Okay, thank you very much. We'll hold the committee until then.

The Chair: — Thank you. Any other questions of the auditors? If not, we will then move into questions of the minister and his officials. I'll recognize Mr. D'Autremont.

Mr. D'Autremont: — Okay, thank you very much, Madam Chairman. I'd like to welcome the minister and his officials here today. We've heard your financial goals and your community goals, and I found some of the comments interesting, and I just want to make sure that I heard this right. Did you state in one of your mission statement goals that you wanted a return on equity of 20 per cent?

Mr. Fogg: — For SGI CANADA, yes, that's correct.

Mr. D'Autremont: — Do you believe, does the minister believe, that a return of 20 per cent on equity is a proper amount for a corporation?

Mr. Fogg: — It would not be significantly different from the industry, keeping in mind that we're not paying any income tax.

So if you looked at an after-tax figure, it would be about 10 per cent.

Mr. D'Autremont: — So, for SGI CANADA, a return of, after tax, of 10 per cent would be appropriate for the corporation, is what the policy is for SGI?

Mr. Fogg: — If there was tax, yes it would be 20 per cent before tax and 10 per cent after tax.

Mr. D'Autremont: — To the minister, for a comment because this is more of a policy nature: do you believe it's appropriate for corporations then, to have as a goal in general, a return on equity of 10 per cent?

Hon. Mr. Serby: — I think as my officials indicated that after tax, a 10 per cent would be a fair return.

Mr. D'Autremont: — So this would . . . you believe this would be fair for all corporations in society then?

Hon. Mr. Serby: — Well I don't want to be speaking for all appropriations across the country, to the member, but we think that for SGI, as a public agency, this would be a fair return.

The Chair: — The Hollinger newspaper chain wants a 40 per cent return.

Mr. D'Autremont: — Well perhaps they'll make it. I'm more interested right now in the government's policy related to SGI and to corporate profits in general.

So for SGI, 10 per cent profit is acceptable in your mind. Is it safe then to assume that since it's good for one corporation, in this particular case a provincial entity, that it would be acceptable for other corporations to have the same return on equity?

Just trying to set a policy here.

The Chair: — Mr. D'Autremont, I appreciate you're trying to set policy, but you know full well that those questions properly ought to be addressed to the minister responsible for CIC (Crown Investments Corporation of Saskatchewan) since CIC's the overall holding company, and they're the ones that can give you general policy comments.

Mr. D'Autremont: — The minister in charge of a Crown corporation also has the opportunity to provide advice to CIC for his particular corporation. And I believe that since it's the goal of SGI that they look at a 20 per cent return on equity, at 10 per cent after tax if taxes were paid, that that recommendation must obviously come from SGI. And if it doesn't, I would be interested in hearing otherwise.

Hon. Mr. Serby: — Just my comment, Madam Chairman — SGI CANADA, of course, is a competitive agency. And I've said to you, as has my official, that a 10 per cent return on SGI CANADA after tax, as a public agency, would be appropriate.

You're asking about the policy of CIC and other utilities, utility

Crowns in the province, and I'm really not in a position at this point to provide you with what CIC would view as being an appropriate profit return. And I think that, although I do have some input on that as you've suggested, primarily our focus is certainly on what we think is the best return for SGI CANADA and how we can continue to provide a solid service to our consumers, customers across the province; and that's really where my focus is today.

Mr. D'Autremont: — What was your recommendation then to CIC on a proper profit level for SGI CANADA, for SGI, and for the auto fund?

Hon. Mr. Serby: — Well for SGI CANADA, Madam Chairman, as we've indicated, the level is at 20 per cent. For the auto fund, of course, we're interested in breaking even with the auto fund.

Mr. D'Autremont: — Okay, your recommendation to CIC was that the auto fund break even; that it not make a profit and that it not make a loss?

Hon. Mr. Serby: — Yes, over the long term that's correct.

Mr. D'Autremont: — And how about SGI in general?

Mr. Fogg: — Well for SGI CANADA, 20 per cent, as we said, and for the auto fund the intent is to break even over the long term. Some years it'll make money; some years it'll lose money.

And SGI is sort of the name we use for both of those; it identifies both of those.

Mr. D'Autremont: — Okay, on the auto fund as a break-even, what time frame are you looking at as long term? How far into the future? How far into the past are you going on this break-even for the auto fund?

Mr. Fogg: — It's difficult to answer that question. There's been some years when we have had a large surplus in the auto fund and other years which it definitely dips into a large loss.

So our intent is to try to get it back into a break-even position, if you will, not a deficit, by the year 1999. And we would try to . . . in good years we would make a little bit of a profit and we would keep it to stabilize the rate for future years.

In some years it has — since we've started — gone up and down.

Mr. D'Autremont: — Well you reported a large loss in the auto fund in '94. Can we expect then that in the near future the auto fund will be making a large profit to return it to equilibrium?

Mr. Fogg: — I think as the minister said, our intent . . . we would like to get to a break-even situation in the auto fund by the year 1999, keeping in mind we want to keep any rate changes, if they're necessary, somewhere in the vicinity of inflation.

Mr. D'Autremont: — So you're not seeking then to recover the loss of '94 in profits for '96, '97, '98.

Mr. Fogg: — Not in their entirety unless it's . . . I mean we do have good years in the auto fund. Some years the claims are down — the good weather, no storms — and you may have a blip where it goes up, but we try to do it as smoothly as possible with no large rate increases or decreases.

Mr. D'Autremont: — Okay, on that area, I want to move on to again the auto fund and what is happening in there.

You're reporting a significant profit this year, most of which I believe is attributable to the PIPP program. Is that not the case?

Hon. Mr. Serby: — That's correct.

Mr. D'Autremont: — On the PIPP program, what created this significant turnaround and the profit situation in that area?

Hon. Mr. Serby: — I'll just make a quick comment on it and then I think Jon can comment on it as well. And I think there are a couple of areas — one is that we have significantly fewer claims in 1995 over 1994. Almost 3,000 fewer claims is what we have.

I think Jon could speak on the financial.

Mr. Schubert: — Well we had a large decrease in the claims incurred for '95 compared to '94 and that's attributable to a couple of factors. First, as the minister said, the number of claims that we had in 1995 — we saw 30 per cent less than those that we had in 1994. We've also . . . when we changed the legislation, we no longer paid pain and suffering, and so therefore on relatively minor injuries we're paying a lot less under the new system than we were under the old system. And that's accounting for the reduction.

When you compare the two years, if you do it on an apples for apples comparison, the difference is only 63 million because 1994 had a significant bumping-up of claims reserves to take into account court awards that were . . . new court precedents that were set in the early '90s.

Mr. D'Autremont: — Okay. Well when I look at a 30 per cent reduction in claims, a change in the pay-out levels, I wonder if you could explain why the provision for unpaid claims changed very little from '94 to '95.

Mr. Heise: — Certainly the reserves for the old claims, the old injury claims, did decline to some extent in '95 because they're being paid out.

But in regard to the new program, the PIPP program, it started and there was . . . A large proportion of the claims incurred for that program are held in reserve because many of those claims are paid out over time — loss of income and rehab and so on. As the payments are made and as the pay cheque would've been due, so comes the claim payment. So there's more claims under this program which are paid out piece by piece over the course of time.

Mr. D'Autremont: — So we can expect to see then the provision for unpaid claims continue to grow into the future as new claims come in, are accumulated, as the payment schedules are set up for them for however long those claims may be in duration?

Mr. Heise: — I think it's difficult to predict whether its going to overall increase or overall decrease, but it's safe to say that there will still be a large provision for unpaid claims.

Mr. D'Autremont: — Well under the old system, say someone had a permanent injury, the claim would've been made against SGI, a settlement would've been arrived at, a payment would have been agreed to. That payment then would have been made to the client. Is that not the case?

Under the current program, under PIPP, the same scenario until you come to the payment, where you now pay them out a fixed amount per week or per month or whatever the schedule calls for, and that can lead off indefinitely into the future.

So how much is that not going to grow into the future until SGI says this person is recovered and is no longer entitled to a benefit? And how long are you projecting, within these statements, that that future is down the road? Are you putting in place, in SGI's own estimation, that a person with a spinal injury who is on permanent disability right now is only going to be there for 2 years, 5 years, 10 years? What are you including in your loss exposure for that?

Mr. Fogg: — I think what we attempt to do when someone is injured is — and always have done this — is set up what we think the final amount paid to that individual will be. And in some cases, if it's a long-term claim, it will be discounted. Now we get help to do that of course from actuaries that would assist us in determining what the reserve level should be for those claims.

Mr. D'Autremont: — Okay. But when you make an agreement, under the past system, say you made a settlement for \$200,000 for an injury, you would have paid that money out. So you would know . . . you would have made your settlement. You knew then at the end of the day the total cost to SGI. There wasn't an ongoing cost.

Mr. Fogg: — No, that's correct. But at the time the person was injured, we would not have known precisely that five years hence, because it took a long time to run that off, that we would be paying out \$200,000 for example. So we would set up our best estimate at that time of how much the final payment would be.

Similarly we do the same thing here. Only in some cases, if people are permanently disabled, it may take a longer term to pay them out.

Mr. D'Autremont: — So someone with an estimated permanent back injury, now do you, as far as your provision for unpaid claims is concerned, do you take an actuarial view of their life? Someone will live until 75; therefore we have to pay them out at X number of dollars for the next 50 years. Is that

included in your provision for late claims?

Mr. Schubert: — Yes, with a discount.

Mr. D'Autremont: — Okay, what are the discounts?

Mr. Schubert: — A 3 per cent discount.

Mr. D'Autremont: — Per year?

Mr. Schubert: — Yes. And what happens is that the advantage to that person that's injured is that under the old system we would make a lump sum settlement. Now that may or may not be enough to carry them through for their life because the settlement was based on some estimates of how long that person was going to live, what inflation was going to be in the future, what the future cost of care would be for that person.

Under the new system, because we pay it out as it actually goes along and we index the wages for that person, they don't have to worry about how long it's going to take them to recover and how long it is that they're going to live and what the future costs are because we will take that into account when we make the reserves, and we will pay that for them over their lifetime.

Mr. D'Autremont: — So when you're making this estimation and you say you index, what's the index based on?

Mr. Schubert: — Each year it's increased by the industrial average wage increase from one year to the next.

Mr. D'Autremont: — Okay. But then is the cost of health care indexed into that also?

Mr. Schubert: — Yes.

Mr. D'Autremont: — As separate from the industrial wage?

Mr. Schubert: — No, that's also indexed as part of the 3 per cent.

Mr. D'Autremont: — Okay, 3 per cent. You had a 3 per cent discount, but that's not . . . to me a discount is not an increase in what your benefit is.

Mr. Schubert: — What it is, is you take the payments that we're making today, and you add for that what you think inflation is going to be. And then you make a calculation for how much money you need to set aside today in order to earn investment income to capture that amount of money.

Mr. D'Autremont: — Okay, so then where does the discount come into that, the 3 per cent discount?

Mr. Schubert: — Well that's just a factor that's used by the actuaries as the appropriate factor to discount the future payments for our plan, based on the fact that we increase the payments for the industrial average wage.

Mr. D'Autremont: — Well I'm not clear on where the 3 per cent comes out of then. If you're going to increase the

payments made to the client by the average industrial wage, indexing into there the cost of health care changes, what are you discounting then the 3 per cent from? You add on . . . let's say the industrial wage increases by 1 per cent; you add on 1 per cent. Then you turn around and deduct another 3 per cent from that settlement.

Mr. Fogg: — I think what we do in fact is we try to determine how much we're going to pay out in total after taking into account the changed industrial wage. So we may say, in total we're going to pay out to this individual, based on his life and based on the changes in the industrial wage, a million dollars. But we'll have that million dollars and we'll invest that money over that period of time.

So you have to discount . . . so in fact he or she will be receiving the million dollars, but since we'll be earning investment income on it, our reserve will not be the entire million dollars. We'll discount that reserve.

Mr. D'Autremont: — Okay, let's see if I understand this now. As time goes on you will pull 3 per cent per annum out of your reserve for that client, so that the reserve decreases and yet continues to provide the proper level of support that was initiated.

Mr. Fogg: — When we determine what we think the final payment will be to the client, we then discount it 3 per cent. So if our final payment was a million dollars, we would discount that 3 per cent and we would just leave it there.

Mr. D'Autremont: — I'm going to have to talk to you some more on this later to get this all straightened out. But I'll pass right now, Madam Chairman, and allow someone else the opportunity.

The Chair: — Okay. I'll recognize Mr. Krawetz and then I'll recognize you again in a little while.

Mr. Krawetz: — Thank you. Good morning, Larry. In my years as an SGI agent I had a lot of questions, and maybe today I'll have an opportunity to have some of them answered. I've talked to you gentlemen before many a time on the phone over the last 15 years.

I'm going to stay on this topic right now because I think it needs clarification. Could I ask you to refer to page 25 and help me to understand better what you just said — in the annual report; the auto fund. And I'm going to stay on the auto fund. I understand we have the flexibility to do all three, but I think if we stay focused on one set of documents, we're not going to be jumping around through six of them.

On the bottom of page 25, what I just heard you say is that for 1994 and '95 you have allocated \$55 million towards long-term disability. What you've said is that that money, as far as a provision for reserves for unpaid claims, that has been reduced by about 3 per cent of what you expect the final amounts to be on settlement. Is that fair to say that?

Mr. Fogg: — That's right.

Mr. Krawetz: — Okay. Will you expect this amount to continually increase because of what has happened in restructuring of the auto fund?

Mr. Fogg: — Yes. I think we would expect that the amount of provision for unpaid claims attributable to discounted long-term disability entitlements would increase. We're only into the program one year and they are long-term claims, so as each year passes you would expect that there would be more claimants entitled to those type of benefits.

Mr. Krawetz: — Okay. I want to just turn to some of the things that were in the 1994 report, and one of them is around licensing. And I note that you've indicated that there is some flexibility with licensing programs; the driver training programs at the school level. Could you tell me how school principals are going to be now involved in allowing a learner's certificate to be granted?

And I guess maybe I'll expand on that a little bit to just help you out. What I'm hearing from concerned people is that in many schools, rural schools for instance, driver education program is offered either in the fall or in the spring; it's not offered at both times. And therefore there is a concern that sometimes a student will become 15 years of age in the early part of the year but the driver training program is not offered until the end of the year.

By the statement made in the '94 report, is it suggesting that school principals will now have the ability to grant a learner's certificate prior to the person actually becoming enrolled in a driver training program?

Mr. Cockman: — To the latter question, the quick answer is no.

Mr. Krawetz: — Okay. What does this statement on page 8 mean when it says, "School principals are allowed to certify students for a learner's licence . . ."

Mr. Cockman: — The high school program allows those people who are in the program to get a learner's licence. To get a learner's licence, they have to take the vision test and various things like that too. The principal in fact normally gives that responsibility to a registered instructor who is contracted by that school to provide the driver education service.

Mr. Krawetz: — Okay, so the principal is not assuming any of the responsibilities then?

Mr. Cockman: — No, I think the way it's defined it means that the principal of the school has the ability to contract with . . . or the school board has the ability to contract with the instructor of his or her choice.

Mr. Krawetz: — Okay, in terms of vehicle registrations, the implementation in '94 of the first-time registration in the province of Saskatchewan, has SGI auto fund . . . have you experienced difficulties with the implementation of that plan? What are we looking at as far as costs of actually having that plan in place?

Mr. Cockman: — The costs of the program are largely borne by the people who have the inspections done on their behalf. I think the most interesting thing that has happened is that a number of clunkers, rejects, lemons, whatever you would like to say, that people have bought from outside the province, in terms of the inquiries that we hear about, has gone down significantly. And where we have found a few, through that inspection program, we have been able to go back to the supplier of that vehicle and they have either repaired it to the satisfaction of the customer or have simply taken that vehicle and decided not to sell it to a Saskatchewan motorist.

Mr. Krawetz: — What is the cost of a safety inspection, on an average, in Saskatchewan? Does it vary from garage to garage or inspector to inspector, or is there a flat fee that is a maximum?

Mr. Cockman: — It is around \$60, but I can't recollect whether that's a set fee or not. One of the things is, if the vehicle does not meet the inspection, is that you can go back, get the vehicle repaired — you don't get it repaired by that inspection station — and that secondary inspection is included in the cost.

Mr. Krawetz: — You've cited a number of storms as being the direct result of a lot of cost to auto fund. If a vehicle is totalled because of a hailstorm, does it now have to go through the safety inspection program?

Mr. Cockman: — As a totalled vehicle it does.

Mr. Krawetz: — So you are saying to the motorist that because of hail damage they must go through a safety inspection now.

Mr. Cockman: — Yes.

Mr. Krawetz: — Okay. Reason?

Mr. Cockman: — At any point in time we don't know the condition of that vehicle. Having said that, we are also taking a look specifically at examples such as you referred to, to see whether they should be continued within that program. I think the point that you make is a valid point.

A Member: — I think I might comment on this one.

A Member: — Sure, please.

Mr. Fogg: — When we set up the inspection program, the theory was that when a vehicle was total loss, there was a point in time in which that vehicle was owned by SGI — and the individual may buy it back — but at one point it was owned by SGI. And we didn't want to put our adjusters in the position of deciding which of these total-loss vehicles should go through inspections. They weren't qualified to do that necessarily and it was just putting too much of a burden on them. So we simply came to the . . . it was simpler for us to say all total-loss vehicles would have to go through the inspection program. And that's why we did it in the way . . .

Mr. Krawetz: — This is the concerns that have been raised to me by former clients and others who are saying, look, the nearest inspection garage is 60 miles away. I just went through a hailstorm and I've got a vehicle that's worth \$1,200 or \$1,500. It has \$3,000 worth of hail damage, and I mean that's not a lot of hail damage, and now all of a sudden I have to incur a cost of, you said 60 or \$65, plus the travel, plus all the time period. It's now a cost factor to me of 150 to \$200 to go and get a vehicle inspected that has not been in a collision, has not suffered mechanically other than the fact that the hood is dented and the . . .

Mr. Fogg: — I think as Mr. Cockman says, it's a problem, and we're looking at it. But at one point in time that vehicle was owned by SGI, and we never want to put a vehicle back on the road, that people will drive, that hasn't been inspected.

Mr. Krawetz: — But in terms of the settlement of the claim, I mean you didn't . . . in signing off on a vehicle, a total loss may not necessarily mean that I've transferred the vehicle to SGI does it?

Mr. Fogg: — I think technically that it does, and you can buy back your salvage.

Mr. Krawetz: — I'll have to check that one.

The Chair: — All of us drive old clunkers. We know all about this.

Mr. Krawetz: — Well we had a lot of clunkers that got hailed out, and the people are still driving them, so they want them back. I mean, I see definitely a need for a vehicle that has been involved in a collision, of course in another province . . . and then we've seen the incidents in Saskatchewan where a vehicle has been purchased and it's a write-off in Alberta or Manitoba or somewhere else, and then all of a sudden somebody gets shafted with it. And without the safety inspection program, the person is on the hook. And I think that's a great plan for that respect.

It's just that the concern around spending money by the individual now to have a total-loss vehicle due to hail — and I'm just saying hail — just doesn't seem quite fair to some of the people, okay.

SAM, the Auto-Mate program. With its implementation, I note that you have, I think, in excess of 400 people, 400 issuers now on line with SAM. You have 30-some people that are still not connected with SAM. Are these small agencies? What's the category.

Mr. Cockman: — These are very small agencies that are under . . . it would be a few hundred transactions a year. They tend to be in the very small communities. However the issuer in that community has to phone in their transaction to us, so it operates on a similar basis to those on the automatic electronic system. So it continues to be, as it were, an on-line transaction.

Mr. Krawetz: — When SAM was implemented, I understood that it was going to improve the fact that it would be an instant

registration. And I mean I've been involved where I have changed the plate on a particular vehicle four times, and you never knew which plate was really on the vehicle because, by the time it was done manually and sent in by mail, it never caught up to it.

Does this new plan now ensure that if a vehicle is registered today, how fast will that registration be on the cross-Canada program?

Mr. Cockman: — I'm not too sure what you mean by the cross-Canada program. I will say, on our records the normal process would be to update that within 24 hours. There are exceptions where it extends over to 72 hours. And certainly during the early stages of implementation, it extended beyond a week, which is considerably much better than it had been before.

The IRE network, the interprovincial record exchange, that is offered and links all provinces and territories together, in fact uses our data, so it uses the same database. So in normal circumstances that is 24 hours.

Mr. Krawetz: — So you would not expect something like two weeks for the British Columbia police department to have a record of the vehicle that I registered today.

Mr. Cockman: — Well I think the problem that you could be referring to is what database are the police looking at themselves. And if they're looking at their CPIC (Canadian Police Information Centre) database, then the updates that they receive from us are on a weekly basis. Depending on when they receive them and when they decide themselves to put them on, then that data can be later. But today, it is considerably more up to date than it has been in the past.

Mr. Krawetz: — No, I fully appreciate the fact that SAM was supposed to do this, but it doesn't seem like it has occurred on that weekly basis across Canada, whether it's CPIC or whether it's the IRE, I believe it's called.

Mr. Cockman: — The IRE must work on that respect because it uses our own database. There is no secondary database.

Mr. Krawetz: — Can police forces, then, across the country be standardized to a degree so that we're all working on the same program?

Mr. Cockman: — I think you will find that the RCMP (Royal Canadian Mounted Police) are in fact working on doing that, and to see what work they can do to bring their CPIC system more up to date or in fact to eliminate portions of it and just use the various provincial and territorial databases.

Mr. Krawetz: — Okay. When we look at the report on salvage, you've indicated there a substantial profit for salvage especially in 1994. Do you expect that to grow?

Mr. Cockman: — Salvage is an interesting operation of ours in terms of when the claims damage files are high, salvage benefits in terms of receiving obviously more vehicles from

claimants. At a point in time when you have large-scale storms, as we've had, then salvage will do particularly well.

Also, the amount of recycling of used parts continues to grow in industry, continues to grow with SGI. So we would expect salvage to continue to make a profit. With the bad winter that we have had in '96, their results to date would indicate that they are doing as equally well as 1995.

Mr. Krawetz: — I know we're going to be working in time intervals here, so I'm just going to end up with one last question on sort of this one section. Under premiums written and premiums earned, of course there is a difference in the numbers because of returns and refunds and all that kind of stuff. If I just look at the top number of premiums written, I see an increase from '94 to '95, or for that matter from '93 to '94. I see, like, about a 10 to \$12 million increase in premiums written. What generated that amount of additional premium?

Mr. Cockman: — The main reason is what we call a mix of vehicles. You and I will buy a new vehicle from time to time or a used vehicle, but a more modern vehicle. And as such that tends to have a higher insurance rate. That tends to bring on additional premium.

Mr. Krawetz: — Were any of these premium dollars attained by increases to particular makes and models over the last two years?

Mr. Cockman: — There were slight decreases in a couple of areas.

Mr. Krawetz: — I was just wondering about the Regina Oldsmobiles.

Mr. Cockman: — No, there were no increases.

The Chair: — Okay, thank you, Mr. Krawetz. Before I recognize Mr. D'Autremont again, and then Mr. Bjornerud, do any members from the government side have any questions? Not at this time. All right, Mr. D'Autremont.

Mr. D'Autremont: — Okay, thank you very much. You mentioned earlier that SGI and the auto fund had a 30 per cent less claim rate this past year. I wonder to what you attribute that 30 per cent. Have Saskatchewan drivers' skills improved by 30 per cent over the past year?

Mr. Schubert: — I don't believe that's the case. I can tell you that we have had people that have come in with relatively minor claims that have had claims with us before. And as I mentioned before, we're paying less now for these minor claims. And when they find out the benefits for those, they walk away. So it could be attributable to that.

Mr. D'Autremont: — So the people then have a claim. They have a reason to claim, but they simply do not claim. Is that what you're saying?

Mr. Schubert: — Well if they have an economic loss for the claim, such as a loss of income or medical bills and so on, then

they'll put in a claim. But in a lot of cases, they don't have that. And under the previous system, they may have received a settlement for that type of claim. Under the new system, there isn't a settlement for that kind of claim, and therefore they don't proceed with it.

Mr. D'Autremont: — So you're saying that under the previous system SGI was making settlements when people had no reason for a claim?

Mr. Schubert: — No, I'm saying that the structure of the program was different, that there was what's called "heads of damage" payable for the pain and suffering on minor claims.

Mr. D'Autremont: — So under the previous system, with pain and suffering payments being made, did not SGI make a determination at that point in time whether or not the claims were valid?

Mr. Schubert: — Yes.

Mr. D'Autremont: — So the claims were then valid at that point in time. Then under the current system, why are people not making similar claims if they have suffered some injury?

Mr. Schubert: — Well if they suffered an injury and they need rehabilitation or loss of income then they proceed with the claim and of course we will pay for that.

But if the claim is such that there isn't any medical expense or loss of income, then there's nothing that's payable under the new system.

Mr. D'Autremont: — So a person can suffer an injury based under the old system, but under the new system, because they haven't had anything that necessitated them to go to a medical facility where they were assessed a bill, then you're not paying?

Mr. Schubert: — Under the new system, people that have minor injuries receive no money for pain and suffering payments. They only receive the money for the economic loss.

Mr. D'Autremont: — Okay, so pain and suffering no longer has any value as far as SGI, in making claims against SGI?

Mr. Schubert: — Pain and suffering isn't something that we pay for now. Of course we replaced . . . when we stopped the payments for pain and suffering, we redistributed that money in order to improve certain of the other benefits.

For example we moved the rehabilitation benefit from \$10,000 to \$500,000. You know, we improved the rehabilitation programs that we have. We improved the death benefits. So what in essence we've done is redistributed how we make payments.

Under the old system, we paid 70 per cent of the monies for pain and suffering, about 22 per cent for loss of income, and about 8 per cent for rehabilitation, and we thought that's exactly backwards from the way it should be. What we ought to do is rehabilitate people first, provide them with money to help

them recover because of course that's important. Whatever is left we now pay in permanent impairment.

So after the first year of the new plan we're now paying 35 per cent of the money for rehabilitation, 22 per cent for loss of income, and 21 per cent for death. So what we've done is we've flipped around the way that we pay the money.

Mr. D'Autremont: — Okay. Under the previous system then, when a claimant came in and made a claim for pain and suffering, what did SGI do to determine that this pain and suffering had been related to an automobile incident? How did you determine whether or not there was actually any pain there? Did you look at any physical evidences that pain was available? Who made that determination, that pain was there?

Mr. Schubert: — Well I mean that's a very difficult issue because pain of course is very difficult to measure. And so what we would do is seek of course what the claimant had to say about the pain, what was causing the pain for them. We would look at medical reports, medical evidence that they had. And based on the treatments that they had and the length of time that it took to recover, that would be the basis for the settlement of the claim.

Mr. D'Autremont: — Would it be safe to say that most of these pain and suffering claims at that time were related to whiplash?

Mr. Schubert: — Eight-three per cent of our claims under the old system were soft tissue or whiplash.

Mr. D'Autremont: — And under the present system, you're paying nothing for that?

Mr. Schubert: — We're paying less for . . . or no pain and suffering for those type of losses, but we have much, much better rehab programs for people now that have soft tissue. And we're helping people recover much quicker from that injury than was the case under the old system.

Mr. D'Autremont: — How do you determine then that a person has recovered from a whiplash injury, pain and suffering from pain related to whiplash?

Mr. Schubert: — Well the person will go to . . . we have a more structured rehab program such that if they're . . . Most whiplash cases will recover within six weeks post-injury. Those that don't, we send them on to a more structured program, starting with a secondary assessment by a multidisciplinary team of a doctor, a physio and a chiropractor to see really what it is that's causing the problem for that person. They will recommend either continuing on with the treatment that that person is getting, or they'll make recommendations for how to best manage the injury.

The only person I suppose that really can tell you when a person has recovered is the person that's had the injury.

Mr. D'Autremont: — So how much value then do you put on the information provided by the client that they are still

suffering some pain?

Mr. Schubert: — Well, lots. We see the client a lot. We see the reports that are provided to us by the medical and health care people, to see how they're progressing.

Mr. D'Autremont: — Then why do I get complaints from clients of SGI, from their physicians, that a patient is still suffering pain. The physician has recommended this particular therapy. SGI said we'll pay for two treatments, and that's it even though at the end of the day the client still claims to be suffering from the pain involved.

Mr. Schubert: — Well I don't think that we are saying to people that we will only pay for two treatments. We have taken the best evidence that we've been able to gather from around the world on how to treat whiplash and developed protocols for what types of treatments are appropriate and what aren't.

So for example, wearing soft collars is not appropriate for whiplash. In fact it harms people. Limiting the number of treatments in primary care which is in the first six weeks of post-injury . . . What we don't want to do is have somebody that's going for 200 treatments and not getting better at all. And so what we're doing is we're saying within the primary care, there'll be so many treatments, and then we'll forward that person on to get a secondary assessment.

Now these protocols that we've developed have been approved and endorsed by the Saskatchewan Medical Association, Saskatchewan chiropractors' association, and the Saskatchewan physiotherapists association.

And so what the idea behind all of this is not to let people float out there and develop chronic pain. What we want to do is get after them as quickly as we can so that they can recover and go on with this structured program.

Mr. D'Autremont: — Okay. When they have moved on from the primary to the secondary care though and their physician is recommending a certain type of treatment, does SGI limit that treatment?

Mr. Schubert: — If it's a treatment that's harmful, we're not interested in paying for that. We're interested in paying for treatments that help people such as exercise programs in the case of soft tissue, chiropractic or physiotherapy manipulations.

And what we do is . . . We're not in the business of being in medicine or in health. We're in the business of taking the advice from the secondary centres and tertiary centres that we funded. And the main idea behind all of this is to help that person recover as quickly as possible.

Mr. D'Autremont: — Are you suggesting then that physicians are recommending harmful treatments to their patients?

Mr. Schubert: — No.

Mr. D'Autremont: — That's what you said just now.

Mr. Schubert: — No. Some of the treatments that happened in the past, okay, such as soft collar, there are evidence now that those type of treatments are harmful to people. We're not interested in paying for those.

Mr. D'Autremont: — How about physiotherapy and massage treatments?

Mr. Schubert: — Massage treatments. The evidence on those is that it's not proven effective but not proven harmful. So what we do is we will pay for those if they're in conjunction with an exercise program and early activation back to normal activities type of program.

Mr. Johnson: — You can't lay around and just get massaged.

Mr. D'Autremont: — Well it would be nice if you could but ...

The Chair: — Carry on, Mr. D'Autremont. You're doing a great job.

Mr. D'Autremont: — I will. When your physician recommends a treatment though, how does SGI evaluate that? Do they say, in our estimation this is a harmful treatment, and therefore we're not prepared to pay for this?

Mr. Schubert: — It's not in our estimation. This is evidence that's been gathered by an international group of scientists, not SGI's evidence. All we've done is taken that and developed these into these protocols that, as I said before, have been approved by the three associations in the province.

What we're interested in is those people that don't recover within the six weeks ... is we want to make sure that they don't float around there. And we want their primary practitioner to refer them to one of the secondary centres so that we can really get down to the bottom of what it is that is causing them to still be in pain and not recover from the injury.

Mr. D'Autremont: — Well most of the clients seem to have the impression that the primary concern of SGI is to simply limit the amount of monetary exposure they have and has little regard to the actual health of the client involved. And that's the communication that I'm getting from a number of SGI claimants — that SGI really isn't concerned about their health. They're concerned about how much it's costing them and how soon can we get this person out of our hair, so it quits costing us money.

And I'm not sure that that is what SGI should be doing. I think SGI should be concerned about the health. Protecting the value of our asset, but nevertheless we have a duty to the clients of SGI to provide the best service we can for them because that's what they have paid for when they have bought their insurance.

And I have a great deal of concern that adjusters, or whomever it might be, is making an evaluation saying that this client does not warrant this particular type of treatment even though their physician and even more than one physician has recommended a particular type of treatment for them. I wonder if the minister

would comment on that.

Hon. Mr. Serby: — Well thank you very much. The program, the PIPP program, is designed specifically, as I've said and others have said from time to time ... about improving on the rehabilitative services for the individual. The idea here is not to make it more difficult for people to manage after they've been involved in a car crash or an injury due to a car crash. The idea here is to ensure that they can live again a fuller lifestyle that they ... or as close to a lifestyle they had in the past.

I know that from time to time, as you have, I do and other members of the Legislative Assembly, MLAs get referrals from people who say to us that they're having difficulty with the system. As I said to you earlier in my opening remarks, the surveys that we've conducted with people who have been involved in car crashes, the incidence of satisfaction to the way which the program provides services, health care treatment services to people today is greater than what it was under the old system. And we're talking to the same target group.

So when you make the comment that people aren't as pleased today with the rehabilitative health care services that we're providing through SGI, I don't think that's quite accurate from the point of view that that's not what the people who are users of our service are saying today.

Adjusters aren't willy-nilly making decisions on what the health care needs of people are — never have. And we aren't today. I think, as Mr. Schubert tried to point out, is that through the secondary process that we have in place now, the concentration is that the individual who's in fact been injured will be assessed and viewed by a multidisciplinary team of people to ensure that the kind of medical treatment that is being providing to that individual is most appropriate to deal with the dysfunctioning or injury that that particular individual might have.

Now I think in the past it could be stated that one might have been referred inappropriately for a medical treatment. I mean I can make that statement personally of a situation like that because often you can't determine what the exact requirements are when you're dealing at the single point of entry. Here what we have, as I have indicated to you, is a multidisciplinary team of people who will do that assessment and better be able to provide the kinds of direction that people can go to for their treatment services.

Mr. D'Autremont: — Okay. When a client goes to the secondary level, what weight does that client's physician's recommendations, diagnosis, and recommended procedures have on the services that client then receives.

Hon. Mr. Serby: — Well they would be significant, in my opinion. In some instances, it's simply a referral to the secondary team because, as I've indicated to you, you have a group of professionals then who would be involved in determining what the rehabilitative requirements are for that individual. But certainly if my local physician is making the recommendation as to what my needs might be. The secondary team of folks would take that under advisement.

Mr. D'Autremont: — What happens when there's a dispute between the secondary team and the client's physician?

Hon. Mr. Serby: — My expectation would be — and Mr. Schubert could answer this better than I can — but my expectation would be that the secondary team of specialists or professionals would weigh the decision. At least that's how I would expect that that process should work.

Mr. Schubert: — That's exactly how it would work. I think that a lot of the primary practitioners don't have the special training in musculoskeletal deficit that these secondary people have. And they're sometimes frustrated that they can't get their patient better, and they're looking for help from this team of people that has a lot of experience in these kind of disorders in order to see what can be done for that patient.

Mr. D'Autremont: — That doesn't answer though what happens under a dispute though when the physician does not agree with the treatment recommended by the secondary level.

Mr. Schubert: — Well I mean, the physician has to deal with the patient, and they have to decide whether or not they're going to follow the recommendations of the secondary centre. If the secondary centre says that this type of program is appropriate and that person doesn't follow that, there's not much that we can do at SGI, okay. We can't force people to do what they don't want to do.

Mr. D'Autremont: — Okay, so if that dispute resulted and they disagreed with the treatment recommended by the secondary centre, would they receive any further compensation from SGI?

Mr. Schubert: — Well there is a provision in the legislation that allows us to terminate benefits if the person doesn't follow rehabilitation plan. But we're very reluctant to do that, okay. What we're interested in doing is seeing if we can find a resolution to help that person recover.

Generally what happens in these secondary assessments is that one of the team members will phone the primary practitioner to sort out what should be done, and then they sort out what will occur. But we do have that provision in the legislation to stop benefits if the person doesn't want to help themselves.

Mr. D'Autremont: — Has that happened in the past where you have in fact ceased to make payments to a client?

Mr. Schubert: — On a few occasions, yes.

Mr. D'Autremont: — Okay, thank you. Since the chairperson is running around here trying to speed the process up, I will again pass on my position to someone else.

The Chair: — Okay, thank you, Mr. D'Autremont. In the spirit of cooperation, I do thank all of you for being willing to share time so that we can allocate it so that everyone has an opportunity to get their questions on. I would now recognize, in this order, Mr. Bjornerud, Mr. Krawetz, Mr. D'Autremont, and then if we still have time, Mr. Johnson.

A Member: — We're just going to switch, okay.

The Chair: — Oh I see, okay. Mr. Krawetz, then Mr. Bjornerud.

Mr. Krawetz: — Right. When you talked about the new program and in terms of physicians having to possibly readjust to some of the latest treatments, Jon, what have you done with SGI adjusters?

Mr. Schubert: — We've had extensive, extensive training for them to help them along with learning some of the new . . . what's most appropriate in treatment and in helping them manage the claims. So we've had for each injury adjuster . . . we've had in the last year and a half three training sessions of, I believe, about a week long for each one of them. We have people come in and speak to them about different, you know, health issues and medical issues.

Mr. Krawetz: — The concerns that I'm hearing, and they're not necessarily new concerns, I mean there were never enough injury adjusters in my opinion. Now it seems that the injury adjusters that are in place continually refer to the manual that they're supposed to be studying and they're supposed to be getting up to date. Again this is comments by clients who have had some disagreement with adjusters. The discussion that I had with you, Mr. Minister, regarding the particular case here in Regina where the adjusters . . . the adjusters as it switched, I guess, to three or four people that have been involved in this, doesn't lead to much continuity. And in fact there seems to have been different suggestions from each adjuster. Like they're not working off the same song sheet here.

And I think that creates a great confusion for the public. Because while I agree with you in terms of the soft tissue injuries — and we have to get this under control and your financial statement seems to indicate that — I think that there is still a group that is slipping through the cracks, and the group that I'm referring to are those that have suffered multiple injuries. I'm not talking about whiplash. I'm talking about, you know, total devastation of their lives because they've been smashed up so badly, and literally the doctors have rebuilt them. And now their lives are totally, you know, have been totally disrupted. And I think that those people are not being compensated for fairly. What's your comment about that?

Mr. Schubert: — If you look at the people that are injured in accidents in Saskatchewan, about one-third of them are at fault in an accident. And under the previous system, they would be entitled to, for example, \$10,000 of rehabilitation. So for example if you hit a patch of ice and rolled your truck, under our old system we would . . . and were seriously injured, multiple injuries as you say, we would end up paying \$10,000 for rehabilitation, which is clearly, clearly not enough.

But if you look at the other two-thirds of people who could sue for their compensation, what they were faced with is limits on the amount of insurance that was available. Under the old plan, we had \$200,000 of third-party liability. So first of all you had to find somebody to sue. If you needed more than the \$200,000, you had to rely on other insurance or on the personal finances

of somebody. So you often had people that might need a million dollars but were limited to the amount of money that they were able to collect.

Under the new system, for people with catastrophic injuries they over their lifetime, will receive a lot more. For example, if you have a 20-year-old that hits a patch of ice and rolls the vehicle, is quadriplegic, if you assume inflation at 2 per cent per year, we will end up paying about 2.8 million — 2.8 to \$3 million for that person over their lifetime, compared to what the limits that we had of \$200,000 under the old program. So clearly we're paying a lot more for people that have, you know, the catastrophic type of injuries.

I guess the other comment is that under the old system, once you made the settlement, that was it. People with multiple injuries may in fact suffer relapses to a greater degree than those that have just a simple injury. And under the plan, if they do suffer relapse, we will start paying benefits again.

Hon. Mr. Serby: — My comment would be in the area that I think you touch on, and that is the disruption in lifestyle. And I guess I don't know what that quantitative value should be, and I'm not sure that anybody knows what that is.

I mean you can look at a variety of different cases that you and I both have some familiarity with, where someone might say to you that I had a full-time job as a professional. Now we're able to compensate them under the income replacement. But outside of my full-time job, I did a variety of other things. And I supplemented my income and/or I was involved in increasing my income by doing some odd jobs around the community, which I really enjoy doing. Now that this accident has happened to me, I can't do this any longer, okay. Or that I might have, you know, I might have been able to ski before. Now with this injury and accident that's occurred to me, I can't ski any longer, which is a loss of quality of life, is what people will say to us.

I say to you and I've said to the legal community who have raised this with me, particularly in the area of opportunities that people might have in the future in terms of their lines of employment, if I'm a school teacher today and am a very capable school teacher and my goal in life is to become the principal, and there are some people who tell me through my evaluation processes that I could in fact be a principal, but I'm involved in a car crash and I can't any longer be involved in doing some of the work that would be required to be a principal, does that then mean that somebody should be paying for that opportunity that individual could have in fact achieved at one point.

And I say to you, if there are courts and legal people who can ascertain what an individual's potential might be in life, then they should and can. They can proceed in that vein. So as a school teacher, I can go and see my legal folks and say to them that my potential in life would have been to be a principal of a school, and I'm not being compensated for that adequately. And I can then I think put that forward to the court system and have somebody try to determine, through the court system, what the loss in lifestyle might be.

SGI isn't doing that. SGI is providing the best rehabilitative services that we can provide with the resources that we have, which in our opinion are significant over what they've been in the past. And we provide the income replacement to 90 per cent of the \$50,000, which we think is industry common not only in Saskatchewan but across the country. And as time passes, as we've indicated, there may be some other opportunities for us to enrich that. And that will certainly depend on how the program manages itself over the next several years and the kinds of resources that we have available to provide those kinds of benefits.

Mr. Krawetz: — Okay. What I've heard you say then is that if I have suffered a catastrophic injury, to use your term, and there was no permanent damage as such that now I can't fit into the other plan but now I'm no longer able to fulfil what I think were possible aspirations for me, who am I able to sue or to . . . what system do I turn to?

Hon. Mr. Serby: — Well my opinion of this would be is that . . . I used the example of the school teacher.

Mr. Krawetz: — Yes, good example.

Hon. Mr. Serby: — I think it is a good example too. I think that if one believes today that their opportunities in life have been damaged or the quality of life has been damaged in such a fact that they would have had a significant higher earning level 10 years from now, or the quality of life would have been better by that, I think that they should be approaching their legal community, approaching their lawyers and saying, we want to proceed with a demonstration that I have lost quality of life, and that the legal system can then take that forward to the courts and try and demonstrate that there has in fact been a loss of quality of life and/or maybe income.

Mr. Krawetz: — So therefore I am still going to be suing the person that has caused the damage to me? Am I hearing that correctly?

Mr. Schubert: — There is a provision that you're able to sue for economic loss in excess of the \$50,000 loss.

Mr. Krawetz: — Yes, but that's if I have salary in excess of \$50,000?

Mr. Schubert: — Yes.

Mr. Krawetz: — But what if I am slated to be the principal next year and now, through an injury, the board has suddenly decided I can't handle that task any more. And the accident was no fault of mine. Am I now able to, through the legal community, to sue you because you have put me into this position?

Mr. Schubert: — You can sue for the excess of the \$50,000 as long as it's . . . the technical term in the legislation in section 103 is as long as it's proven on a balance of probabilities.

Mr. Krawetz: — Okay, what I'm saying is, today my salary is \$49,000. Okay. So loss of income because I'm not teaching for

the next six months is all taken care of on the 90 per cent. Okay. There's no problem there.

I am looking ahead to next year when I was going to become the principal. The board has said I will be hired. But now I've suffered this injury due to the fact that you ran a red light and have destroyed my leg and it's been rebuilt. And now I can't be that principal, in the board's opinion. Who can I then sue for the fact that I am no longer going to be moving to a \$75,000 salary for the balance of my 10-year teaching career?

Mr. Schubert: — You're only allowed to access the tort for losses in excess of the \$50,000, okay.

Mr. Krawetz: — Right, I understand that.

Mr. Schubert: — So if the wage was \$50,000 or more and you could prove that you were really going to be a principal, you know, with some reasonable degree that we can ascertain that you really are qualified to be a principal and so on, then you could sue the responsible driver.

Mr. Krawetz: — But if I have no proof that indeed I was going to be a principal a year from now, if it's just an aspiration of mine, therefore I have no legal recourse?

Mr. Schubert: — Yes. I mean I can say that I want to be, for example, an NHL (National Hockey League) hockey player. Even though I might aspire to that, it's very unlikely that I have the talent to do that.

Mr. Krawetz: — Agreed. Agreed. But, you know, I've never been involved in a serious car crash and I hope I never will. But people that I've talked to who have suffered physical damage to themselves so bad that their chances of continuing along a developmental process within their jobs has been shattered, they will get nothing for that.

Mr. Schubert: — I'm not sure if they're going to get nothing. Because you've got to remember that in the total package, when you include the rehabilitation of up to \$500,000, if you include the loss of income, it's going to be a lot more money than what was paid before.

Mr. Krawetz: — I agree with you, but what it does is it brings me back to the level that I wanted to be at before my injury. Rehabilitation is necessary. It's excellent. It's good. But the fact of the matter is, just because I've gotten back to what you are calling a healthy state, I am no longer going to be eligible to advance in my corporation, my teaching career, my fire-fighting career, whatever career — the farming career.

Let's use a farmer as an example, okay? He will not be able to do the particular jobs any more. He's not permanently disabled in the definition of SGI, but yet he can't do the jobs any more; he'll have to hire somebody. After a certain period of time you will not recognize those costs, and in fact you will no longer recognize any compensation to that person.

Mr. Schubert: — No, those benefits are payable for life. And if there is a permanent impairment, there's also a payment made

for that.

Mr. Krawetz: — Okay, let's change to a different . . . 48 appeals; were they of the multiple injury category? Do you have any evidence as to where they came from?

Mr. Schubert: — No, the most of them were to deal with the income replacement benefits and most of them involved a better explanation on our part of how income replacement works.

Mr. Krawetz: — Okay. And you said that none proceeded to the mediation stage?

Mr. Schubert: — That's correct.

Mr. Krawetz: — Okay. Were they all settled? I noticed in your chart that you had eight . . . there were sort of categories of eight that just didn't seem to fit. Eight were dropped, eight were settled, and eight . . . I forget now how the chart read. I don't have that chart with me today so that's why I'm groping here.

Mr. Schubert: — I'm not sure which chart that is. I would say of the 48 — and this is just off the top of my head; I don't know if this is for sure — I think about half of them we ended up making a change to the benefits that we were paying, and about half of them we denied the appeal.

Mr. Krawetz: — Okay and I think how I saw it was eight were discontinued because the person, I guess, dropped it; eight you dropped; and then I think sixteen were settled. Is that because increases of allowances were given?

Mr. Schubert: — Yes. Well we can . . . at any point in the process, if we find new information — and sometimes it's just a question of getting that information from the claimant and us understanding it properly — we can change our decision at any time. So if we get new information from that person, then it allows us to pay the benefit right away and then we just proceed with it.

Mr. Krawetz: — And that takes me back to my first question of the second set when I asked about the training of adjusters. It seems that when all the information was known by the adjuster or adjusters, that the matter was looked at differently. And I encourage you to continue to provide the seminars for the adjusters . . . (inaudible) . . . and I guess PR (public relations) has a lot to do with it in terms of understanding.

If there isn't the ability to sue, other than out-of-province vehicles, why would I want to have a million dollar liability insurance policy on my Auto-Pak?

Mr. Fogg: — Well you're right. First of all you can sue because you may drive your vehicle out of province, and second you may cause damage. A good example is hitting a horse trailer and injuring the horses within the trailer, that may happen to be race horses; that may cost you a million dollars; or you may hit a train; or you may cause property damage in excess of \$200,000.

Mr. Krawetz: — Okay, so the ability is then for that person

who I have hit to sue me for the physical property that has been damaged?

Mr. Fogg: — That's right. If you ran into . . . derailed a train for example, yes, the railway could sue you.

Mr. Krawetz: — Because that's the most common phone call that I've received in the last years — why am I paying for an Auto-Pak on a million dollar liability when nobody can sue me anyways? And I'm trying to answer that on your behalf.

Mr. Fogg: — Thank you.

The Chair: — Thank you, Mr. Krawetz. Perhaps we could recognize Mr. Bjornerud briefly, and then go back to your line of questioning.

Mr. Bjornerud: — Thanks, Madam Chairman. I just have a couple of questions. The part that I would like to get into — and we've asked the minister this somewhat, or some of these questions before, but I'd like my mind refreshed — is on the wildlife problem. And can you give me how many claims you have in '94 and how many in '95?

Hon. Mr. Serby: — I think that number is . . . and I'm going from memory now just because the question was asked of us; and we just indicated recently, I think, the wildlife numbers in 1994 were about 8,400, and that would include birds and animals. And we don't have a breakdown of that specifically, which are birds and which are in fact animals.

And I think the '95 is around 9,500. It's nearly a thousand, the increase in the number of accidents that have been caused by . . . or damages been caused by birds or animals.

Mr. Bjornerud: — Okay. I think, and from what we've asked you before, Mr. Minister, is that the problem is increasing, am I right? From '94 to '95, this problem has increased?

Hon. Mr. Serby: — Oh the number, the number of claims have increased, that's correct.

Mr. Bjornerud: — And dollars, right?

Hon. Mr. Serby: — And dollars have increased as well. That's right. It's about a million dollars more in 1995 over 1994.

Mr. Bjornerud: — Does SGI work with SERM (Saskatchewan Environment and Resource Management) then at all to try and solve this problem? Like, I mean this problem is increasing not just for SGI but . . . well the costs of all our insurance, I'm sure, are tied into this and increasing because of it. Does your department work with SERM to try and resolve some of these problems?

Mr. Cockman: — We're working with a number of organizations to take a look at it. We have over the years looked at those areas such as whistles on vehicles, putting salt licks beside the roads to stop the deer from taking the salt on the road in winter. We've looked at reflective devices. The problem with reflective devices is that by the time . . . when

they're finished, the deer just go around them onto the areas that are not reflected.

And esoteric things that they're looking at in Scandinavia — and I think Newfoundland is looking at it too — such as synthetic wolf urine and things like this as means of dissuading the animals.

It is a problem, and it's one that is of concern to us, and we're investigating it.

Mr. Bjornerud: — Has it ever been brought to your attention that possibly wildlife habitats, and Ducks Unlimited land, protected land, is adding to our problem? And I know I have in a case a couple of spots in my constituency along the highway where there's a wildlife habitat — and the minister will know which road I'm talking about, not far from Yorkton — but you can go there any day of the week and you see one, two, three fresh deer killed along that stretch, and I think it adds to it.

And I'm wondering, have you been in contact with SERM about certain things? Like what I'm saying is, I think when the wildlife lands are brought into being as protected lands, we should be taking into more consideration where they are and not through major thoroughfares like, you know, the main highways.

Mr. Cockman: — Yes. I think to be fair, that SGI has little control over that. Where we hear of stretches of road where there seems to be large incidence, we do contact the Department of Highways and suggest that they ensure that there is adequate warning on the roads to indicate that this is a likely area where there is more wildlife.

And in many cases, they've been cooperative with us. And in fact, they were aware of that problem and concern too.

Mr. Bjornerud: — Yes. I realize the signage and that, you know, probably helps. But there's so much wildlife like white-tailed deer along the sections I'm talking about that signs and the traffic — that's main highway, you know — it just doesn't slow down. They just can't.

I'd like to go onto one different question here. We're switching from re-registrations of vehicles. You can go from a year to six months, and now, I believe, we're going monthly. Is that right? We're going to be coming up with a new program that . . .

Mr. Cockman: — Yes.

Mr. Bjornerud: — Okay. I know in the case of farm vehicles, it becomes a problem where you get four or five vehicles you have on the farm, and there's different times of the year that these come up. If I forget to renew my grain truck, for an example, and it runs past the due date, is my insurance cancelled the minute that that runs out? Like, is there any leeway for us there?

A Member: — 12:01 a.m.

Mr. Bjornerud: — Yes, that's exactly right. Is it 12:01 a.m.?

Mr. Fogg: — It's excluding . . . You're right. Your insurance would run out, except for the PIPP program which would still be there. But otherwise your insurance would run out on that date.

Mr. Bjornerud: — Is this not a fair problem? You talk to number of people that had that problem brought to me where they've been caught in this. Is this not one of the problems — is there another way of refreshing people's memory or something?

Hon. Mr. Serby: — Is the question is it a problem that there are too many people driving unregistered vehicles?

A Member: — Unregistered vehicles, yes.

Hon. Mr. Serby: — Well I think that there is a growing number of vehicles in Saskatchewan that are unregistered. I think that's correct. I'm not sure that has to do with when their expiry dates are.

Mr. Bjornerud: — I've even heard, Mr. Minister — I'm sure you have too — where people are on holidays or something and get half way there and they realize all of a sudden they're not insured. And I think it is a problem out there and I just wondered if there was anything that can be done to cut that problem down.

Mr. Cockman: — When we are told of people who are out of the province and have forgotten to renew, we will work with the local issuer or agent and the individual, and through various devices such as fax machines and other ways, we have helped them in the past. Occasionally, however, their requirements are such that we can't. But we have been working to do that.

Mr. Bjornerud: — Madam Chair, can I turn it over to Mr. Krawetz?

The Chair: — Yes, I just wonder, Mr. Krawetz, Mr. Johnson has indicated that he has just one question to ask.

Mr. Krawetz: — Oh sure.

A Member: — We'll be in the interests of being flexible.

Mr. Johnson: — Okay, no problem. The question that I wanted to ask is that you were saying in the . . . under PIPP there was some protocol related to the procedures that are followed for the medical services that an individual would receive. Are those . . . is there a description of those available because I don't believe I've ever seen those particular things. Or could they be made available as exactly what procedures that are followed in that particular case. At least a description that . . .

Mr. Schubert: — I'm sorry I don't have them here, but we have them at the office. But basically what they do is they categorize the type of injury. For example, whiplash has three different kind of categories now. And then it shows for each type.

Mr. Johnson: — Is that possible to get that for the committee members, a copy of that?

Mr. Schubert: — Sure.

Mr. Johnson: — Could we have that, because I think that would be a . . . the whole discussion that was going on, I think, really basically comes down to what that was, and with knowledge of it, the issue may not be there or there may be a significant issue.

The Chair: — In tabling information requested by committee members — in this case, it would be the protocols — would you please table them with the Clerk, Meta Woods and provide 15 copies and she will then distribute them to committee members. Thank you, Mr. Johnson.

Mr. Krawetz: — Thank you. Two questions from my colleagues here as far as PIPP. January 1, '95 . . . and I understood Mr. Wright had said that initially it was going to be implemented for a five-year period and there was going to be absolutely no changes until it would be evaluated; and I've heard in the last six to eight months that because of some concerns that have been identified, that indeed there might be a need to look at certain parts of PIPP and to decide whether or not people are slipping through the cracks. Will we be waiting another four years, or will we be looking at identifying some of the concerns and dealing with them?

Hon. Mr. Serby: — Well I think that one of the issues that we've raised all along with the PIPP program is that it's only been in place now for just better than a year. And as we've been moving along, we've been introducing and adding and complementing the additional services that we had in mind to start with to ensure that our rehabilitative service program is as complete as it can be. We certainly don't intend, in a major way, to review the PIPP program extensively earlier than the period of time that I think it was initially established for.

I think it would be fair to say, though, that any time that you have a program of service to people, that may require some modification as you go along. If there are issues that we uncover that obviously are a handicap to the way in which we do . . . we provide services, there's no question, I think, that we would be in a position to revisit them and see if there can be modifications to them to improve on them. It wouldn't matter whether it's in the SGI program or whether it's in Education or whether it's in Social Services or in Health, governments are always receptive I think to revisiting programs . . .

Mr. Krawetz: — Thank you, Mr. Minister. I look forward to bringing concerns to you that I hope that you would deal with then on an individual basis, because I think that they are very valid concerns.

Clarify: if my vehicle has . . . my plate registration has expired, whether it be at the end of the month now or any day as selected in a monthly program, will the package policy still cover non-driving related claims?

Hon. Mr. Serby: — If you have an improperly registered vehicle . . .

Mr. Krawetz: — No, it's not registered any more, but I have a

package policy on it that is valid because it is at a different time, and my car . . . it expired yesterday, and tomorrow it is stolen. Do I have insurance?

Hon. Mr. Serby: — You only have insurance under your package policy for an unregistered vehicle if you're not driving the vehicle. So if it was stolen from a garage or something and you weren't using . . . or your garage caught fire and your car burnt, then you would have coverage, yes.

Mr. Krawetz: — Okay, and the same thing with fire, etc., as long as it's non-driver related — hail damage?

Hon. Mr. Serby: — If it's not being driven. If it was sitting in your driveway and not being driven.

Mr. Krawetz: — Yes. Good. Okay, because that's the answer that I gave someone yesterday.

A Member: — Are we ending at 11?

The Chair: — The time I had scheduled was from 9 to 11. I guess I would ask the minister, can you make yourself available for another 15 minutes or do you have things on your schedule?

Hon. Mr. Serby: — I have things on my schedule, but 15 minutes would be fine.

Mr. Krawetz: — Even 10 would be sufficient, just to clarify a few of the things.

The Chair: — Then, Mr. Krawetz, if you could just use some discretion and try to wrap it up before quarter after 11, as the committee agrees to that. Okay. Thank you.

Mr. Krawetz: — Identification of SGI-recognized or accredited repair shops took place, I believe, three years ago, two years ago, and there was a difference in the hourly rate that is allowed to be charged. Is that true?

Hon. Mr. Serby: — Yes, it's true.

Mr. Krawetz: — Is the hourly rate charged on all of the repair or just based on the amount of time correcting frame damage?

Mr. Schubert: — There's varying rates for, depending what type of work is being done. But I believe that the rates apply to whether the . . . (inaudible) . . . are being worked for whatever budgets. And for frame straightening, there's a difference . . . (inaudible) . . . then . . .

Mr. Krawetz: — Yes, my question is this, Jon. If there is a repair shop A that doesn't have a frame alignment system within the repair shop, therefore it's not recognized by SGI as being accredited. There's another over here that is. Okay. Obviously this shop isn't doing any frame straightening and there's a certain hourly rate that is allowed for this shop to do the frame straightening.

My question is that if this hourly shop is charging whatever the rate is now, 44 or 49 or whatever it is, is this shop now

charging the same rate for body repair?

Mr. Fogg: — They're charging the same rate to the customer but we're not paying . . . We will pay the accredited shop a higher rate than we will an unaccredited shop.

Mr. Krawetz: — For even body work?

Mr. Fogg: — For all of it.

Mr. Krawetz: — Okay. Then is that fair?

Mr. Fogg: — Well it could be fair. I mean the accreditation rules were not necessarily set by SGI. They were set by SADA (Saskatchewan Automobile Dealers Association) and SAAR (Saskatchewan Association of Automobile Repairers). The people in the industry determined with us what the accreditation rules would be. And some of them are safety rules like paint booths. I just forget them all.

And it was determined to try and get them to meet these standards. They would receive a different rate because they were not putting in the same type of equipment; they didn't have the same costs; some of them didn't open the same hours. And it's for that reason that they got a lower rate from SGI.

Mr. Krawetz: — I can see that for the frame part. I mean, one of the criteria to be recognized is you must have the frame straightening equipment, correct?

Mr. Fogg: — Yes.

Mr. Krawetz: — Okay. So if . . . And I mean I've been lobbied by the Yorkton auto body shops — and I'm sure you have, Mr. Minister, as well — where to have a large expensive piece of equipment in the shop to do frames only whenever they're in and the incidents of having to do a frame straightening, it may not occur that often. So therefore it's sublet. It's sublet to the other shop that has it.

But now for the body work that that shop is doing over there, just because they have the frame equipment — all of the other criteria have been met by this other shop but they don't have the frame equipment — now they're charging . . . they are allowed a lesser rate on any of the other stuff.

As a taxpayer, I'm very concerned about that. Because now I would suggest that if there is a body shop that has a frame equipment, that that body shop, if it was repairing my vehicle, would only do the frame, and I would take it to the other auto body shops so that I could save the taxpayers of this province a lot of money to repair the rest of my vehicle.

And that's the concern that has been raised by body shop owners who don't fit in the other category. And they're saying, why is SGI paying out all this additional money for all of the other things that are being done? My painter is as good in body shop A as it is in body shop B, but because body shop B has the frame equipment . . . You're shaking your head. Do you disagree?

Mr. Cockman: — I think you will find that even in the painting environment these days, there are a number of shops that have to have the very high quality, high bake, quarter of a million dollar paint. The booths that are supplied these days. And I think when we have been talking to the industry, framing was just one of the items that was identified to us. I believe there were many more items they pointed out these days that you have to have which provides a much higher level of overhead than they had in the past.

So I don't think frames were the only issue. They certainly were one issue.

Mr. Krawetz: — Well that is the issue that has been raised the most, because according to body shops, they feel they've met all the other criteria but they don't want to put me in this expensive frame equipment for very, very rare occurrences in terms of fixing.

They have the modern paint booth because that's what they're doing all day long. But they're not frame straightening.

Hon. Mr. Serby: — If I might comment on this just briefly, Madam Chairman. And I know this issue fairly well only because prior to this responsibility, I too had a number of people from the auto body industry who came to me and talked about what the disparities in rates are.

As Mr. Cockman points out accurately the industry has established a very detailed résumé of criteria, if I might say that, as to who would be compensated and how the compensation would be made based on that criteria. And along with that then would be the accreditation of those shops.

And so they provide the monitoring of that — not SGI — but the industry provides the monitoring of that on their own. And very stringently, I must say.

And as Mr. Cockman points out, there are a lot of requirements today that need to be ensured when you're doing upgrading or auto body work on some of the vehicles which have paints and frame alignments, etc.

So when we talk about the disparities in pay, really, that's established by a large degree by the industry themselves. And so our hope is, and understanding of this, is that if you're going to an accredited shop to get your work done that you're also getting, in our opinion, a higher quality of service. And that really then becomes a decision of the individual who is getting the work done. And we're compensating accordingly then to what the industry standard is.

Mr. Krawetz: — Now I understand why you're looking at an accredited shop. I mean, you want the service provided; you want it provided of course in its best possible fashion.

Maybe there's a need to look at more of a level of accredited shops so that therefore money can be saved for the taxpayers of this province if indeed there are different rates that will be allowed to be charged.

Because if you're allowing the straight up top rate for the accredited shop just because it has one extra criteria than this other shop does, and that's the frame, that doesn't seem fair.

Mr. Cockman: — I think there is more than one. Jon, maybe you can help me out. I think there is a frame rate — an accredited rate and a non-accredited rate. I don't think that there's just the two.

Mr. Krawetz: — That was my question originally and I didn't get that answer.

Mr. Cockman: — My apologies.

Mr. Krawetz: — So there is a different rate then?

Mr. Fogg: — There is a frame rate.

Mr. Krawetz: — Would you be able to table that for me? I'd like to know what the rates are because I have to respond to repair shops and I'd like to provide accurate information to them as to what is there.

Does monitoring occur of cost items? And I guess the one that comes to mind most often is windshields. It seems that I've heard horror stories that says that if it's an SGI claim, a particular auto body shop will charge \$465 for the replacement of the windshield; if I don't have a package policy and I'm subject to the \$500 deductible, I can get the windshield replaced for 210. Why does that occur?

Mr. Fogg: — I think it's fair to say that we have an agreement with the glass dealers' association. We try and monitor that the best we can. But I think over the years we've always found that you could make a better deal on your own perhaps than if you have an SGI claim.

It's a very difficult one to deal with because, much as we work with SADA and SAAR, we would sit down with the glass dealers and set a certain rate for a windshield. We would pay that rate if we come to the agreement. If somebody comes in off the street, with no insurance, they're dealing on that individual claim and they can make a better deal. And that occurs, yes.

Mr. Krawetz: — In the insurance industry . . . I mean we talk about the illegal rebating — rebating is illegal. Why are repair shops allowed to advertise that they're waiving the deductible? Is that not a form of rebating?

Mr. Fogg: — Absolutely. They're not permitted to waive the deductible.

Mr. Krawetz: — They're not permitted. So they're just absorbing that cost? Or are they changing the rates?

Mr. Fogg: — To my knowledge, if we saw an advertisement like that, we would — and I've never seen a repair shop do it; maybe glass dealers from time to time — we would go and talk to the glass dealer. It's not even the absorption of the deductible. The deductible is there for a purpose, and if they waive it, it's a disadvantage to SGI. We don't want them

waiving the deductible, even if they absorb it.

Mr. Krawetz: — Right. And especially advertising it.

Mr. Fogg: — And especially advertising it.

Mr. Krawetz: — One more question, Madam Chair. I would just like to . . . I mean, I have a lot of concerns and I would like to raise them on another day.

The largest concern in the farming community is around invalid insurance. And I want to know exactly what the policy is. A farmer determines that he is renting out his land for this year. And he is not cash renting it; he is renting it at a crop share. He is still involved in hauling out chemicals, hauling out fertilizers, etc. Is he eligible to maintain his F-plate on his half-ton?

Mr. Cockman: — I think the answer that I'd have to give is I'd have to get back to you. I don't know the specifics of that. I do know that the farm definitions are items that are causing us some concerns and we're looking at simplifying them. That is something that is undergoing at present. But we can provide you that information.

Mr. Krawetz: — I think, you know, when you talk about improving service and educating adjusters, I think that information has to be out there to educate the public. They, along with issuers . . . And I will plead ignorance when I was that person — it's just so unclear. If a farmer sells his property tonight, okay, and the deal is struck today; he still has crop in his bin. Is he allowed to haul that grain next week to market with his three-ton truck because he sold his land today?

Mr. Cockman: — Please understand, it's an issue that we are aware of. It's only as of April 1 this year that we took over responsibility for the registration program.

Mr. Krawetz: — Granted. But I'm just trying to raise with you all the little things that seem to be happening out there that are causing confusion. And I know of two cases, a brand-new vehicle registered with a farm plate was involved in a traffic accident that totally destroyed the vehicle; and it is pending right now because he had a farm plate on his truck legally, in his opinion, legally in terms of the issuer, and legally in terms of what auto fund had said. But now the adjuster has a slightly different . . .

Mr. Fogg: — Just to add to what Mr. Cockman said. It's a problem for us. The definition of a farmer under the regulations is complex, and I think — and I think we would agree with this — although the person may not technically have coverage, but from time to time we will look at those carefully, and if in our opinion they were misled by the issuer or the issuer got it wrong, we would recommend that those claims be paid on a expiration basis.

The Chair: — Perhaps, Mr. Minister, the next time you come you can announce a new policy that gets rid of all the uncertainty and treats all Saskatchewan residents fairly and equitably.

Hon. Mr. Serby: — Well I'm not sure, Madam Chairman, that that will be the announcement that we will be making. But the announcement we might be making is in response to the question Mr. Krawetz asked as well as what our investigation of the parking lots around the Legislative Assembly tell us about the F plate.

The Chair: — Yes. Perhaps you might want to even consider getting rid of the F plates all together, Mr. Minister.

A Member: — We don't need to go that far, Madam Chair.

The Chair: — Mr. Krawetz, you've finished your line of questioning, have you?

Mr. Krawetz: — I have.

The Chair: — Thank you. Minister, thank you very much for your cooperation in staying an extra few minutes. We do appreciate it.

The committee now stands adjourned. We will be meeting again next Thursday, May 16, at 9 o'clock, at which point I've arranged to have the minister and officials present from SaskPower.

Hon. Mr. Serby: — Thank you very much, Madam Chair.

The Chair: — Thank you.

The committee adjourned at 11:10 a.m.