



Standing Committee on Crown Corporations

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**STANDING COMMITTEE ON CROWN CORPORATIONS
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Hon. Andrew Thomson
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Brad Wall
Swift Current

The committee met at 10:36.

Saskatchewan Government Insurance

The Chair: — We'll call to order. Good morning, everybody. We are here today and tomorrow to consider the 1998, 1999, and years 2000 SGI (Saskatchewan Government Insurance) annual reports.

We have here Mr. Fogg and various officials from SGI. I'll be inviting him to make a comment in a moment. We have as well Andrew Martens as a principal on behalf of the auditor's office. He has Mr. Ahmad with him as well. And we have Mr. Wilson from KPMG, who is the appointed auditor for the years in question for SGI.

So what we'll do is we'll have . . . Mr. Fogg, if you could introduce yourself, state the name of yourself and the officials for the record, and then begin any presentation that you may have at this time.

Mr. Fogg: — Surely. I'm Larry Fogg, president of SGI. And with me we have Earl Cameron, vice-president of claims; John Dobie, vice-president of finance and salvage; and Maureen MacCuish back there, she's the assistant vice-president of communications.

What I'd like to do, Mr. Chairman, if I might, is just take a few moments to discuss the three key issues that had to be addressed over the '98, '99, 2000 time period. And those issues were first, restoring the financial stability in the Saskatchewan Auto Fund; second, improving customer service; and third, is expanding the property and casualty business to other Canadian provinces.

In 1998 the deficit in the Saskatchewan Auto Fund rate stabilization reserve was \$92 million. By the year-end 2000 the deficit had been reduced to 17 million. And over that time period we were able to maintain some of the lowest auto insurance premiums in the country, despite rate increases that were necessary to address the serious financial situation in the Auto Fund.

In 1997 we put forward three rate options for consideration by motorists. The one most favoured by motorists was implemented. It was a three-year rate strategy which took effect in 1998 when the basic deductible was increased from 500 to 700. Rates increased overall by 5 per cent in each of 1999, and 2000 overall rates were increased by 2 per cent.

This, along with good winter driving conditions and good financial returns on our investment portfolio, meant by the end of the year 2000 the deficit in the rate stabilization reserve was virtually eliminated.

Another key part of restoring the financial stability of the Saskatchewan Auto Fund was controlling our administration costs. Over the three-year period the Saskatchewan Auto Fund's administration costs did not increase and maintained the lowest administration costs among the public insurers as well as a significantly lower admin ratio than any private insurer.

Reducing the deficit and controlling costs are important but

perhaps what is more important is providing quality service to Saskatchewan motorists. And an insurance company by its very nature enters . . . is a confrontational type of business. In each and every accident we find somebody at fault. We assign responsibility for fault. We write off some vehicles. There's always some discussion about whether the value is fair.

There's people who medical evidence would indicate should return to work. They perhaps don't want to return to work or don't agree. So in all these situations, there is, like any insurance company, some confrontation.

And at the same time we run a regulatory program. We run the drivers testing system, for example. People fail driver tests. So all of these things make it difficult for SGI and any insurance company to satisfy all of our customers' needs.

However, we have known for some time that we had to do something, and over that three-year period our concentration was on providing better customer service. Each year I go out and meet with the staff and explain to them how important customer service is.

And we have done some things. We've put in 24-hour emergency service. We've expanded the hours for dial-a-claim and driver testing. We've got customer service targets now in each branch and they're on the wall. We've done things like reducing the number of medicals that are required. And we have provided 100 per cent of our SGI staff with specialized customer service training, especially the front line staff.

We have spent a great deal of time on customer service, but what is perhaps more important is to change the mindset of the people in the corporation — not to perhaps hide behind the legislation but to get out and provide good customer service and do the right thing. And good customer service does not necessarily mean paying each and every claim, but it does mean providing a level of service that our customers would expect. And it's a cultural shift and it's something we're working on and will continue to work on.

And now that we've eliminated the deficit and rate stabilization reserve, we have an opportunity, more financial flexibility to introduce new programs and services to meet the demands of our customers.

And the last issue that I want to talk on . . . speak on is expansion to other Canadian provinces. SGI CANADA, through its subsidiary, SGI CANADA Insurance Services Ltd., as we call it SCISL, now sells property and casualty insurance to Manitoba, Ontario, and Prince Edward Island.

And the question is, why would we expand; why did we find it necessary to expand? We find it necessary to expand for three reasons and these reasons have been with SGI for as long as I've been there.

First is to spread the risk. Any insurance company wants to spread the risk as widely as possible. We have a massive concentration of risk in this province. We have a 42 per cent market share which is far higher than any other insurance company would have in any other province. We insure every

second house in the city of Regina and the city of Saskatoon. So we're always concerned with a tornado — that occurred back in 1912 — coming through the centre of Regina or Saskatoon. Our insured values in these cities exceed \$4 billion. It is a problem for us. And while we buy reinsurance to protect ourselves, nevertheless spreading risk is important.

We want to grow the business. We want to expand our market share in some other provinces. What's happened in Saskatchewan over the years, and while we insure as I say every second house, some of the businesses that were profitable for us, which we traditionally insured, like the small stationery stores across the province, all disappeared when Staples comes to town. The small hardware stores we wrote across the province all disappearing when Home Depot comes to town. Small bookstores all disappearing when Chapters comes to town. All of these things that we used to write are gone. The small groceries stores gone when the 7 Elevens come to town. All of these national accounts which we don't write and can't write, because we don't have a federal licence — and even if we did we wouldn't have the capital to write those kind of accounts — all of these things impact on us. And it's one of the reasons we have to look for business outside of the province.

And finally we want to create jobs in the province of Saskatchewan — at least protect their jobs. We do have . . . it's . . . for many years since the province started, premiums have left Saskatchewan, going to head offices in particularly Manitoba and Ontario, and we think it's not a bad thing if some premiums flow out of Ontario and Manitoba to create jobs in head office in Saskatchewan.

So that's sort of the three reasons we want to expand, and why we look at expanding. And we've . . . SCISL's growth rate over the three-year period in Manitoba was 11 per cent and we've been one of the top 15 companies in Manitoba. And there's a survey in Manitoba amongst the brokers. Brokers want a survey and they pick the best company to do business with. And two out of three years SCISL has been the number one company for Manitoba brokers to deal with, and the other year we were second.

So we think we're well placed to face the challenges ahead. And now we'd be pleased to answer any questions anyone may have.

The Chair: — I'm certain we will have some questions for you, Mr. Fogg. Just as a point of information for the members of the committee, documents related to the years under question are seated right back there. And if you desire a copy of any of that information, please help yourselves.

We have with us also today from the Provincial Auditor's office Andrew Martens, the principal on this file, and Mr. Bashar Ahmad who is observing. Anyway, Andrew, if you will.

Mr. Martens: — Thank you, Mr. Chair. Yes, with me today is Bashar Ahmad and he's been leading our insurance work at SGI for over 20 years, including the years when we did that work directly. And I'll ask him to provide our highlights on the audit findings for those three years.

Mr. Ahmad: — Thank you, Andrew. Good morning, Chair,

and members. I will briefly comment on our office involvement in the audit of SGI Saskatchewan Auto Fund, SGI Insurance Services Ltd., and SGI superannuation plan and our conclusions and finding for the year ended December 31, 1998, 1999, and 2000.

To form our opinions we work with KPMG, the appointed auditor, using the framework recommended by the board of the task force on roles, responsibilities and duties of the auditors. Our office and KPMG formed the following opinion for all those years.

Financial statements of SGI Saskatchewan Auto Fund, SGI Insurance Services Ltd., and SGI superannuation plan for all those years are reliable. During all those years SGI complied with authorities governing its activities and the activities of Auto Fund, SGI Services Ltd., and SGI superannuation plan relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing. And during all those years, SGI had adequate rules and procedures to safeguard and control its assets and assets of Auto Fund, SGI Insurance Services Ltd., and SGI superannuation plan.

There is one matter that is outstanding for a few years now. That matter relates to our recommendation for public reporting of persons who receive money from SGI and related organizations, and the amount each person received. This matter is reported in our Spring 2000 Report. I understand your committee plans to consider that matter for all Crown corporations with CIC (Crown Investments Corporation).

That concludes my comment. Thank you.

The Chair: — Thank you, Bashar. Mr. Wilson, I'll invite you to proceed to microphone 13 and add any comments you might have, or should you not, you can waive that right at this time. But we'd like to hear from you.

Mr. Wilson: — Thank you, Mr. Chairman. Committee members, SGI officials, and other guests, we conducted the audit of the entities being discussed today for the period under review as discussed by the Provincial Auditor. Our auditors' reports were clean opinions for each of the years and are contained in the annual reports. I won't go through those reports in detail with you but certainly I'd be prepared to answer any questions anyone might have about those audit reports.

The Chair: — Thank you, Mr. Wilson. With that I will start a speakers list and . . . Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman, and welcome through you to Mr. Fogg and the officials at SGI and to the folks here from the Provincial Auditor as well as SGI's auditor.

I guess I want to start with a . . . perhaps what could be characterized as a bit of a strange question. It's germane, I think, to all of . . . to all three years under review — '98, '99, and 2000. Why didn't, in any of those three years, didn't SGI feel it necessary to get a Web site of any significance?

Mr. Fogg: — That's a good question and we have now . . . we are now in the process of putting up a Web site. Web sites are expensive — they are expensive to run. We had to, we have . . .

In order to put up a Web site we'd have to take some of our key systems people off of the job, and we had a lot of projects we had to run and it just . . . In our list of priorities, while I think it's a good idea, it just didn't get to the top of the list.

It's there now and we're in the process of putting up a Web site.

Mr. Wall: — What analysis in those three years led the corporation to believe that it was expensive, you know, relative I guess to other activities or just if you could . . .

Mr. Fogg: — It's some . . . I'm not an expert in Web sites, but we had various meetings on putting up a Web site and obviously a lot of people think that's a good thing to do. It is an expensive proposition to put up a Web site that's somewhat interactive — provides decent information, that you can go through the Web site easily, that can answer the questions. It is an expensive process.

Mr. Wall: — Competitors . . . Or, I beg your pardon, of SGI's competitors, how many of — especially in general insurance obviously in Canada, how many of them would have full-service Web sites for lack of a better term?

Mr. Fogg: — I think some would have Web sites. But there's not any company to my knowledge that's selling policies on a Web site in any great degree. I think less than one-half of one per cent of all insurance policies are sold on the Internet.

So it's not a big sales feature. It's a feature that . . . for brokers to go and get information. Now we have some of that which is not Internet but it's extranet, I think. So we have policy wordings, for example, that our brokers can go into the system, take out the information they need. We also have a system whereby glass dealers can interact and get payments from the system but those are business to business sort of transactions. We don't have a Web site or a good Web site that the public can access.

Mr. Wall: — Thank you. And there was no interest — we've been talking about general insurance — there was no interest in the three reporting years for the corporation to pursue something on-line for the auto insurance customers of the province.

Mr. Fogg: — For the SGI CANADA side or the Auto Fund?

Mr. Wall: — The Auto Fund.

Mr. Fogg: — It has its advantages because if we put some information up on the Internet, there would be less calls coming into our rather extensive call centre, and it is a useful thing to do. And as I say, now we have the rates up and we're gradually putting more on the Internet. But it is an expensive proposition and you've got to weigh that against other issues that the corporation is facing and where we can make best uses of our staff.

Mr. Wall: — If I could switch gears, Mr. Chairman, I'd like to talk a little bit about SCISL if I can, and specifically about the underwriting profits or losses of the three reporting years.

Only one of the annual reports in question reports on the

underwriting profits of extraprovincial activities and that's the one where there was a profit. One report alludes to an underwriting loss but doesn't give the amount. And another simply is silent on the subject, the latter being I think the most . . . the current one under review by this committee, 2000.

So would you please provide . . . I beg your pardon. Would SGI please provide the committee with the underwriting profit and loss for exact amounts for all three of those years.

Mr. Fogg: — They're all, Mr. Wall, and, Mr. Chairman, they're all in the annual reports. If you look at the statement of operations you will see the underwriting loss or profit for each and every year.

Mr. Wall: — But, Mr. Chairman, that's true and I apologize if I've missed the breakdown between the general underwriting profit and loss statement and the . . . for example, page 31 of this most current one, I think, or I beg your pardon, '99. Did I miss the breakdown between the general underwriting profit and loss . . .

A Member: — Separate report.

Mr. Wall: — Oh, the separate report. Or the overall loss in your annual . . . I'm talking about in the annual report that most people would access.

Mr. Fogg: — Well if the question is what is the actual underwriting loss in each and every year, I can just look in these reports and it will be there. So if I look at 1998 — and they'll all have underwriting loss, as will SGI CANADA, and as will most other insurers — but the underwriting loss in '98 was 572,000; in '99 it was 378,000; and 2000 it was 700,000.

Mr. Wall: — Thank you. Mr. Chairman, in his introductory remarks I think Mr. Fogg alluded to a desire on the part of the . . . of SGI to spread its risk. And I requested that he confirm those underwriting losses in order to move on with a bit of a discussion of that. Because again . . . And this isn't a rhetorical question; it's an earnest one. I'm interested in the reality of the situation for this insurance company or any other.

But when you're trying to spread that risk by expanding to other markets, would it be fair to say you can measure the risk that you have . . . that's been taken by the underwriting profit or loss?

Mr. Fogg: — I don't think that's really fair. What's happened in the insurance industry, and it has for a number of years, the insurance industry as a whole has not had an underwriting profit since 1978. They just don't exist any more; it's just part of the competition.

And what we try to achieve is a break-even . . . And even in SGI CANADA, if you look at SGI CANADA in Saskatchewan, we would like to get a break-even position at the underwriting line. And the money that's really made, the profits really come out of investment earnings. And that's true across the piece. And I think we're going to have to . . . And what's going to happen, I think, in the future is, because now investment earnings are turning against us — the markets aren't as good, the returns aren't as good — and we're going to, all companies,

including SGI CANADA are going to have to go back to trying to make at least break-even at the underwriting line.

Mr. Wall: — Mr. Chairman, I think it was in 1998 that there was an underwriting profit recorded — small, but still one recorded — this is for SGI general. So that would have been an anomaly in terms of . . . you mentioned since 1978. I wonder if you could expand on . . . I wonder if the . . . Mr. Fogg would expand on that relative to SGI general.

Mr. Fogg: — As I say, the industry has not had an underwriting profit, as I say, since 1978.

We have always tried . . . One of our objectives is perhaps not to make an underwriting profit, but at least to break even at that underwriting line. And I know some years we haven't achieved it.

We have done better than much of the industry, both in terms of return on equity and at the underwriting line, partially because we're a . . . of the type of business we write. And so in some years we have had underwriting profits, I know, but not recently — '98 we did; '97 we didn't.

Mr. Wall: — In terms of . . . and I understand that this is outside the years in question but I think it helps frame this argument on SGI CANADA and that is its origins and how it was capitalized in terms . . . I mean clearly its success is related to investment earnings. And your indication is today that generally that's the case for most general insurance businesses in the last 22 years, I guess, or so.

Could you just then frame for the committee how SCISL was capitalized and the origin of the investment earnings that are now the reason for its profits.

Mr. Fogg: — The . . . And I'll speak just about SGI insurance in general and SGI CANADA and SCISL. The capital, or the amount that's invested, comes from primarily three places. There's capital put in by the owners and in this case, in SGI CANADA, we have \$55 million put in by the province.

Then there's money that comes in from . . . that you invest from unpaid claims. Because you set up the reserves, you don't make the payment, that money's invested.

And thirdly, a lot of it comes from unearned premium. The premium many times is paid in advance so you get to invest large amounts of money. And if you look at . . . Although we have \$55 million in capital from SGI CANADA, our investments are 220, \$230 million. So a lot of our investments are not from the capital.

And we take a part of that \$227 million that we've got invested in stocks, bonds, land, whatever, what have you, we take a portion of that money and we therefore invest it in out-of-province insurance companies.

Mr. Wall: — Thank you. Mr. Chairman, just along that line, I think this is a very interesting discussion to have as it relates to this company and then no doubt members certainly on this side, we're going to learn a little bit about the insurance industry as well.

But there seems to be some questions that would flow from that, specifically if it was primarily capitalized by the taxpayers of the province of Saskatchewan, it being the general, being SGI CANADA, this body that's now risking — certainly there's a risk there but we'll say investing even or expanding across the country and other provinces.

If it was capitalized primarily by the taxpayers, could you tell the committee please, or would the officials tell the committee — excuse me — if indeed there is any restriction at all from where SGI general . . . now I'm switching gears a bit, but where SGI general in the province of Saskatchewan can invest to generate earnings. What sort of restrictions are on the Crown in that regard?

Mr. Fogg: — There are restrictions on any insurance company on what they can and cannot invest in.

The provincial legislation that set up SGI refers to federal legislation as far as investments are concerned, so there's . . . I forget all of the rules. But generally speaking, you can put so much into bonds and so much into stock and the stocks have had to pay dividends and then you have some amounts you can put outside of that. But there are rules governing it, yes.

Mr. Wall: — Are there geographic restrictions?

Mr. Fogg: — No.

Mr. Wall: — So SGI or any other general insurer headquartered in some jurisdiction wouldn't need to set up some subsidiary to expand its scope of investments, just its scope of selling premiums. Is that correct?

Mr. Fogg: — I'm sorry?

Mr. Wall: — I apologize, the question is not clear. There'd be no need for SGI general to set up the subsidiary, SCISL, in order to change its investment activities at all. It would strictly be to try to sell more premiums in other jurisdictions that aren't very excited about Crown corporations proper operating in their jurisdictions?

Mr. Fogg: — That's fair, I think. Yes.

Mr. Wall: — So then I go back then if I can, Mr. Chairman, to the question of the underwriting losses. If the subsidiary is capitalized by the taxpayers of the province anyway . . . I'm assuming it came from SGI, the 55 million probably came from SGI. I'm not sure. Maybe I'll let some comment . . .

Mr. Fogg: — I'm sorry. The \$55 million, that is put in by the province, put into SGI CANADA by the province.

When we come to invest in . . . We buy an insurance company in Prince Edward Island, for the sake of argument, for 5, \$6 million. We can simply take it out of our investment portfolio. We can cash in a bond if you will and take that \$6 million. Instead of me having it in a province of Prince Edward Island bond, we can take the \$6 million and invest it in an insurance company in Prince Edward Island. There's limits to what you can do here, but you can do that.

Mr. Wall: — So when the company's purchasing that PEI (Prince Edward Island) firm, for example, which occurred in the 2000 year so it's certainly I think something we could talk about, that company that SGI is purchasing itself has its own . . . What you're purchasing among other things is its business, its goodwill, its potential, but plus its investment that it's making earnings off of, in addition to its underwriting profit and loss.

Mr. Fogg: — Yes, that's correct.

Mr. Wall: — And that would probably be the most important part of the due diligence process is to determine, you know, how successful the investments have been and likely will be?

Mr. Fogg: — No, I think the most important part of the due diligence process is establishing a value on the unpaid claims reserves. The assets for the most part are marketable many times. I mean, you could put a value on the assets and not that hard to do. And if you don't want a particular asset, you may say to the purchaser . . . or the seller, I don't want that asset.

The real . . . Where it becomes complex and where, if there is a risk in this, it is . . . because you're going to take over all of the unpaid claims, and the reserves that are set up on the books have to be accurate. That is where the real due diligence comes in.

Mr. Wall: — So, Mr. Chairman, again back to the underwriting profit and losses which I think Mr. Fogg has marginalized as a measure of the success of any general insurer in terms of . . . Maybe marginalize isn't the right word. I don't mean to put words in Mr. Fogg's mouth, but certainly he indicated that since '78 their underwriting profits are few and far between for anybody, is the testimony so . . .

Mr. Fogg: — That's correct.

Mr. Wall: — In light of that I mean, clearly though, the level of loss, however, would be of a significant issue. It has to be simply because it's going to take a chunk out of the overall profits of the subsidiary.

Mr. Fogg: — Well you're absolutely right, and I don't mean to marginalize because you don't want to have underwriting losses. It's just part of the way you do business, because you can only get a certain rate in the marketplace. The thing is, can you afford to have an underwriting loss, invest that money, and still have an overall profit? That's where it becomes difficult and that's what most insurance companies are trying to do. And that's why people will put business on the books even though they know it's going to result in an underwriting loss.

Mr. Wall: — Would you . . . I beg your pardon. Would officials of SGI then provide over the . . . in terms of the investment that was required to begin this expansion to other provinces, notwithstanding the PEI deal — excluding the PEI deal — what sort of rate of return are the taxpayers then receiving as you report . . . I beg your pardon, as the company reports underwriting losses but overall profits due to the investments?

Mr. Fogg: — The other expansion . . . Maybe I can just go

back a bit and maybe explain what our expansion plan was. And this plan has been in place for many years.

The plan originally was simply to take SGI CANADA and move across the borders into Manitoba and Alberta and not buy any businesses, just move in there, because we felt, and still do feel, we understand how to underwrite in the Prairie provinces. And that was the original plan. And we would just expand, run it out of Saskatchewan, and when we got enough business we would maybe open an office in Manitoba and Alberta, and then go over the borders.

And that worked well in Manitoba, but we couldn't get a licence in Alberta. So at that point in time, we had to look farther afield and then — because we're not experts in Maritime business, or even Ontario business — we had to find a partner.

So when we went into Manitoba we really just started selling policies there much as if we were selling them in Saskatchewan. It wasn't a lot different, only we had to have a separate company that paid income tax, and that type of thing.

I don't know if that answers . . . is answering your question or not.

We had underwriting losses in Manitoba, just like we have underwriting losses in Saskatchewan, and as other insurance companies do as well.

The Chair: — You'll notice that Mr. Wall is addressing all comments and questions through the Chair. And I apologize in that I should have made that clear off the top, but if you could address your comments to the Chair. It's not that I, you know . . . anyway, if you could. Thank you.

Mr. Wall: — Again, I guess the question was, Mr. Chairman, the question for Mr. Fogg was . . . and if the answer needs to be confined to these three reporting years, that's fine, but certainly the existence of this subsidiary goes beyond and prior to 1998, and the activities that Mr. Fogg's highlighted go beyond 1998. So just a rate of return for the taxpayers overall on their investments in this regard.

Mr. Fogg: — Yes. Now I don't want to make this more complicated than it is, Mr. Chairman, but it does get complicated.

When we expanded into Manitoba, for example, and there was only . . . the capital in SCISL was limited to . . . I think we had \$6 million. Therefore you're confined to what kind of risk you can take with that money, so you have to buy, or should buy, reinsurance to protect yourself. And the reinsurance we bought was bought from SGI CANADA, in Saskatchewan.

So a lot of the profits flowed, not into the SCISL but into SGI CANADA. So you have to look at — I don't want to make this more difficult than it is — all of this. And we can, we'll . . . what we can do, Mr. Chairman, is we can . . . and I don't have a problem at all doing this . . . is breaking out the whole picture for you: how much of the profit flowed into SGI CANADA and how much flowed into SCISL. And we'll do all that, and we'll do it for the three years, whatever.

The Chair: — Does that suffice for the member?

Mr. Wall: — Yes, I think that does. Thank you, Mr. Chairman. We'd be very interested in that.

Prior to the acquisition of actual other insurance companies proper, you've explained, I think — and if I have this wrong, please correct me — but I think you've . . . I beg your pardon, the officials have explained that this was accomplished simply by expanding the business, effectively I would gather by selling current products or products that were already available in Saskatchewan, insurance products, in other jurisdictions, Manitoba being one.

In the financial reports for those years prior, again prior to the acquisition of any insurance company proper, there are investment earnings here that are again sort of saving the bacon of these ventures out of province.

And so, Mr. Chairman, where did the capital come for those investment earnings since, and my understanding is there was no actual company acquired that would have its own investments — this is just an expansion — so how did SGI decide, okay these are the investment earnings that we can attribute to this SCISL as opposed to investment earnings that would have been with SGI general prior to its formation?

Mr. Fogg: — Mr. Chairman, we put \$6 million into the start of SCISL. But as soon as it starts to write business, you start to get the premiums in, and then you can start to invest that money. And the same time, there's some claims that you set up that may not be paid for some period of time. So you set up the reserve and you invest that money. So there's a fair amount of money invested.

Now I want to maybe . . . Maybe it's not . . . I want to maybe talk about the investment, major investment in SCISL in this three-year period, because this is a bit different. This is a company called Palliser. It's a crop hail company and I want to explain how this happened.

There was a . . . there was four small crop hail companies in Saskatchewan — two in Saskatoon and two in Moose Jaw — and they didn't have enough capital to write crop hail business outside of Saskatchewan. They didn't have enough capital to write business in Manitoba or Alberta, where they were wanting to write. And in fact they were . . . the Superintendent of Insurance was concerned about them writing in Saskatchewan.

And they had a number of jobs in the province. And they came to us and asked if we would invest in this crop hail company. And although that's not our core business, these were jobs and we wanted to somehow protect it, and we wanted to make a profit. So we sat down with four of these companies and the Superintendent of Insurance, and three of these companies went into partnership with us. We own I think a third, and they own two-thirds.

And we formed this larger, well-capitalized crop hail company that writes business in Alberta, Saskatchewan, Manitoba, and we protected these jobs — not at SGI, but in the province. And the crop hail business some years was profitable, and some years was not.

And now they have got enough capital on their own, without us, and we're going to get out of that business.

But so you can see, and I think it's in the notes to the financial statements, you'll see that the earnings, the investment earnings, go up and down, but it's mainly because of the results of the crop hail company.

Mr. Wall: — Mr. Chairman, again because we simply don't have the knowledge to be able to make an independent judgment, would the officials comment on the provision for unpaid claims in any of the years reporting for SCISL as to industry norms, and how that compares to SGI general.

Mr. Fogg: — My expectation was, and we could look at this, they would be lower on average because we're mostly writing property business there, and there's . . . the payments are pretty quick as compared to liability business or casualty business that we write in Saskatchewan where it's a much longer time frame to pay out the claim.

So we could look at that, but I would think that our claims . . . we would pay out much more quickly in Manitoba than we would in Saskatchewan.

Mr. Wall: — With respect to the crop hail corporation that the CEO (chief executive officer) alluded to, Mr. Chairman, I wonder if . . . You indicated that you . . . Is there an exit strategy right now then, for SCISL to get out of that? And if so, it isn't under . . . obviously hasn't been executed yet, and so, given the crop year we've just been through in Western Canada . . . And it's not in the reporting year, so if you don't want to comment . . .

Mr. Fogg: — No. No, I . . . I think the first . . . we got into the business when, at what would be the best time to get into the business — when there had been significant losses and the rates were going up. So we got into the business when the rates were going up.

And the first two years we were in the business, as I recall, we were very profitable. The last two years weren't profitable. And that's the crop hail business.

But the reason we were in that business for the most part, as I say, we did want to make some income, but it was partially to protect these jobs in Saskatchewan.

Mr. Wall: — And with the exit of SCISL, what impact will it have on those jobs?

Mr. Fogg: — Well now, the crop hail companies — the three that are still in, the partners — have enough capital to operate this company in the three provinces and they don't need our capital any more. So we're going to take it out and see if we can use it better elsewhere.

Mr. Wall: — With respect to the change in approach that SCISL has . . . Well maybe I shouldn't say it's a change — and the CEO may wish to comment on that — but it seems to me that SGI began down this road by simply risking it sounds like \$6 million and then building, expanding its premiums and its premium base from that standpoint. And then at some point it

decided that it wished to acquire other insurance companies in Canada. And maybe the CEO would comment on that, please.

Mr. Fogg: — That's exactly right, Mr. Chairman. Our intention was to expand into the Prairie provinces. Once we couldn't get into Alberta we had to change how we would expand. And the way we could expand and the only way that made sense to us to expand was to acquire a partner who had a broker for us and who could assist us with some of the underwriting, and we would then run the head office operations of those companies out of Saskatchewan. And that was sort of the strategy we used, yes.

And to be fair, when you make any investment — and we make investments in insurance companies or we make investments in Nortel — every investment we ever make has some risk and, you know, you have to just look at . . . You know, we've had very good investment returns over the years, but we've had some losses in there as well.

Mr. Wall: — The one deal was completed in the year under the review, the PEI — at least the first phase of that, I guess. There's been news on it recently, but the first phase of that was done prior to December 31, 2000. The other one, the other substantial one, the Queensway acquisition I understand occurred in 2001 and there's nothing in the, obviously, in the annual reports about it. However, certainly there would have been due diligence and negotiations underway in the reporting year of 2000, because I think wasn't the deal in spring of 2001? And if so . . . if there wasn't I mean, I guess . . .

Mr. Fogg: — There may have been, Mr. Chairman. But it certainly would have been discussed in the year 2000. We would have at least looked at it in that year.

Mr. Wall: — And how, when you were looking at both of these particular projects, how did SGI become aware of them? Stick with the PEI one since it's reported in 2000.

Mr. Fogg: — Well we became aware of it because we indicated to some of our reinsurance partners that if an opportunity became available in — and we're limited by what we can buy — but if an opportunity became available that would suit our needs, we would be interested.

So one of our reinsurance partners advised us that CGU (Commercial General Union), which owns 75 per cent of ICPEI (Insurance Company of Prince Edward Island) which was a big insurer, wanted to get out of that business in that company. And the reason being that ICPEI wanted to expand beyond Prince Edward Island. CGU, which owns 75 per cent of it, already was writing business in other provinces and weren't really interested in having that company expand, that they would just be cannibalizing their own business and so they just thought it would be better to get out.

Mr. Wall: — How many people work at SCISL, in the reporting years I guess, Mr. Chairman? I wonder if Mr. Fogg would comment on that.

Mr. Fogg: — In total or in Saskatchewan or in . . .

Mr. Wall: — In Saskatchewan. And then maybe in total to if

the CEO could provide that number as well.

Mr. Fogg: — Let me just . . . I don't want to . . . There's some people that work solely on SCISL business, underwriters. Then there are people like systems people, investment people, reinsurance people, finance people, human resource people that work on that business as well but they're not specifically assigned to that. So I think underwriters which are completely assigned to it are 12 in Regina, 7 in Manitoba. But there's a number of other person-years in systems, for example.

Mr. Wall: — Of these, how many are new jobs per se over the last . . . since the inception of SCISL and how many would have come from SGI general?

Mr. Fogg: — The 12 jobs that work solely on SCISL are 12, well they're 12 new jobs. They work . . . I mean we've moved people off of what they were doing onto SCISL. But they were 12 jobs that wouldn't exist if we didn't expand, I guess. Let me put it that way. Those people, as I say, are solely SCISL. There is a large number of others that work on SCISL but they might be doing systems work for it.

The Chair: — If I, just if you don't mind . . .

A Member: — Sorry.

The Chair: — I've got an inquiring mind too. Would it be possible to translate that into full-time equivalencies?

Mr. Fogg: — Probably we can. They'll change each year but it depends on how much work we do for them. But we can . . . we'll get . . . Last year it was 26 person-years.

Mr. Wall: — Mr. Chairman . . .

Mr. Fogg: — On top of the 12. So it would have been 38 person-years.

Mr. Wall: — Mr. Chairman — sorry for interrupting there — I think we'd like to come back to the jobs issue a little bit later on. You know it's often cited as a reason for this; it has been, I think, by the CEO and by the government. And I think it would be interesting to, like, take a look at the amount invested, the risk, and then the resulting economic development or jobs here in the province. So we'd like to come back to that.

But I wonder if Mr. Fogg would comment, if he would, on why — I think we know the answer — but why specifically Alberta you were . . . I beg your pardon, SGI was not able to operate in Alberta.

Mr. Fogg: — Well that's a very good question, Mr. Chairman. I don't have a good answer.

I know that we applied for licences in Manitoba and Alberta at the same time. Manitoba provided a licence; Alberta would not. And it wasn't because . . . It was a political decision by the province of Alberta; that's the best I can say. Because it went through all the regulatory requirements. It got up to the minister, and the minister wouldn't provide the licence, and subsequently they passed legislation that would prohibit SGI from writing business . . . SGI CANADA from writing business

in the province of Alberta.

Mr. Wall: — What interventions in the — and maybe perhaps Mr. Fogg can clarify whether or not any were made in these . . . whether or not it occurred in any of these three reporting years — but what interventions were made as far as you know by even perhaps your . . . by the minister responsible or by the government proper with the Alberta government in this effort to try to allow SGI to operate in Alberta as it was in Manitoba?

Mr. Fogg: — Mr. Chairman, I'm not sure what was done; I really don't know the answer to that, what the government did about trying to get in there.

Mr. Wall: — What did SGI officials do then? What did the CEO . . . did Mr. Fogg . . .

Mr. Fogg: — Well we . . . In order to get a licence, you have to provide certain information to the, what would be the equivalent of the Superintendent of Insurance in Alberta and in Manitoba. We provided the same information.

My understanding in Alberta is that the information was adequate to meet all of their needs. And I can't answer the question as to why the minister decided he did not want SGI CANADA to write business in Alberta. I really don't know the answer.

Mr. Wall: — But it would be Mr. Fogg's . . . but I think Mr. Fogg is saying that's the only province in Canada where there would have been either an indication . . . outright rejection or an indication of rejection?

Mr. Fogg: — No, I wouldn't say that. First of all let me . . . We can't get a federal licence because there's legislation prohibiting us getting a federal licence. We can't get an Alberta licence now because there's legislation in Alberta prohibiting us.

We applied for licences later on in Ontario, which we got; PEI, which we got. We applied for a licence in British Columbia, which we didn't get and we're now still applying for that licence.

Mr. Wall: — Does Mr. Fogg believe that the nature of . . . the structure of SGI has an impact on this situation?

Mr. Fogg: — I'll give you my best estimate, Mr. Chairman, of what I think. I don't think the private insurance companies . . . I think they would lobby against SGI CANADA writing business even . . . writing business in any province. And I'm not sure of any other particular reasons.

Once in a while the reason is given that they don't want to . . . the federal government won't let us have a licence because they do not want to regulate a provincially owned insurance company. But as to why BC (British Columbia) or Alberta did not give us a licence, I really don't know.

Mr. Wall: — Mr. Chairman, it's my understanding . . . That's a little bit, well not confusing, but I think we find that a bit surprising that there could be a more definitive answer to that. Clearly it would seem that . . . Well let me phrase it this way. Are you aware of — I beg your pardon — is Mr. Fogg aware of

any of the competitors of SGI in the general insurance business that have similar difficulties in getting a licence, you know, for the same reasons apparently?

Mr. Fogg: — No. No, I'm not.

Mr. Wall: — Well the only change would be . . . the only difference then would be, that you could point to that anybody could think of possibly, would be the ownership — the fact that one is owned by a government and the others are not.

Mr. Fogg: — You would think that might be an answer, Mr. Chairman, but it isn't because there was a French insurance company called the Gan that was owned by the French government and they seemed to be able to get a licence. So that's not . . . it's not exactly right, no.

It seems to be that an insurance company owned by a provincial Crown corporation cannot get a licence but other government-owned insurance companies could get a licence. So I really can't . . . I don't know the logic there.

Mr. Wall: — Well I'm not sure there's logic there, Mr. Chairman. I'm not sure I wouldn't agree with Mr. Fogg that there isn't any logic there but, you know, the distinction has been made. He's made the distinction I think between a provincial Crown corporation and how other provincial governments may or may not take a dim view of that.

Back to the underwriting losses and profits, if I can, Mr. Chairman. Briefly with respect to SCISL and SGI, it just seems from a cursory look so far at these financial statements that while the underwriting losses have occurred at both SGI CANADA and SCISL — notwithstanding 1998 where SGI general made an underwriting profit and I don't think SCISL did; no, they did not — however the losses, the underwriting losses at the subsidiary that is now operating across Canada seemed to be, as a percentage of the premiums written and the premiums earned, significantly higher than the losses of SGI general here in the province of Saskatchewan. And I wonder if Mr. Fogg would comment on that.

Mr. Fogg: — Well that's right Mr. Chairman, because a lot of the premium that we write in Manitoba — well Manitoba, I guess in these years — we take it out of premium and take it into SGI CANADA as reinsurance premium. So it flows . . . it doesn't show up in their financial statements, it shows directly up in the SGI CANADA financial statements. If that makes sense to you?

Mr. Wall: — So then, Mr. Chairman, the financial statements of SGI general would look not artificial — I don't want to use that word — but would be, at least the premiums written, would be an inflated figure because you're saying — I beg your pardon — the CEO is saying that some of those are coming from your operations in other provinces.

Mr. Fogg: — I don't know that it's an inflated figure. I mean, to be fair, Mr. Chairman, when we take that premium out of SCISL and into SGI CANADA it's because it's like reinsurance premium we would have paid to any other reinsurer. Reinsurance kicks in after if there'd been a major . . . had there been a major catastrophe in Manitoba, it wouldn't have looked

so rosy. But because there wasn't, yes, that's what happened.

Mr. Wall: — In any of these three years, given the financial statements of SGI and given the fact that on the general side of things it's certainly not . . . well I mean the auto side's not a utility either, but the general side is clearly a commercial venture of the Government of Saskatchewan that competes, and for that or any other reason in these three reporting years, did SGI either, did SGI internally look at any potential partial . . . or partial privatization or sale of its assets to other companies?

Mr. Fogg: — No, it didn't.

Mr. Wall: — Not in any of these three years, it didn't?

Mr. Fogg: — No, it didn't.

Mr. Wall: — And has the corporation at any organization's behest ever undertaken a valuation, a commercial valuation of its assets?

Mr. Fogg: — We didn't, but the Crown Investments Corporation, and I'm not sure if it's one of these three years, but they have done it in the past so it would be in . . . I'm just not sure. I think they've done it on two occasions.

Mr. Wall: — And would it have been in these three years?

Mr. Fogg: — I think '96, '98. We'll have to check, but I believe they probably did it in '98.

Mr. Wall: — And then for the '98 year, would Mr. Fogg be able to recall for the committee, please, the firm that did the valuation.

Mr. Fogg: — I think there were two firms. There was ScotiaMcLeod . . . Oh it was I think then Coopers & Lybrand. It was a partner from Coopers & Lybrand and he may have been a consultant at that time but he had worked on the first valuation. So he was an insurance expert.

Mr. Wall: — And what was your understanding . . . I beg your pardon. What was the CEO's understanding or the corporation's understanding of the reason for the valuation being undertaken by CIC or directed by CIC?

Mr. Fogg: — I'm not entirely sure. I think originally in '96 they just wanted to get a handle on the values of the corporations. And then they did another one in 1998 and at that point in time the value had gone up.

But, Mr. Chairman, I really don't know specifically why they did it. I think they did it for all the Crowns.

Mr. Wall: — Mr. Chairman, in 1998 some dollars would have been spent through CIC or the Crowns for these evaluations . . . for these valuations, I beg your pardon. Was it SGI money that was expended in the, you know, to whichever firm it was that was contracted to do the valuation?

Mr. Fogg: — No, it wasn't.

Mr. Wall: — Was it Crown Investments Corporation?

Mr. Fogg: — It wasn't SGI money. That's all I would know.

Mr. Wall: — Did the valuation result in any additional work or resources that needed to be committed by SGI in working with those that were valuating the corporation?

Mr. Fogg: — We provided them with information but I think it was readily available. I don't think we had to do a lot of new information. It was financial information and then we answered some of their questions.

Mr. Wall: — In light then, Mr. Chairman, of the fact that just two years prior . . . I mean I want to be fair. You're trying — I beg your pardon — the CEO is trying to recall from those two years. He's given '96, '98 as potential dates. But let's just assume that those are indeed the dates of the valuation.

In light of the fact then, Mr. Chairman, that within two years two valuations of the corporation were completed, that clearly they required the attention of the officials of the corporation and their staff, be it as marginal as the CEO has said it is, didn't anybody at the corporation occasion to ask CIC what it is . . . why it wanted this valuation of the corporation?

Mr. Fogg: — Well, I mean they were doing valuations. My understanding was they just simply wanted to know what the corporation was worth. Now what they were going to do with that information . . . I mean I think it's something probably a parent company would want to know what their subsidiaries are worth, but I don't know specifically what they were going to use that information for.

I didn't ask what are you going to do with this information, if that was your question.

Mr. Wall: — Yes, that was the question.

The Chair: — I've got another person indicating a desire to ask a question. Thank you very much.

Mr. Yates: — Thank you, Mr. Chair. My question for SGI is that it would not . . . would it not be a normal activity for a corporation, or any business for that matter, to occasionally want to benchmark or evaluate their asset in order to find out what its current value would be in the normal course of business?

Mr. Fogg: — Well I would think so. To get the value of an insurance company is not all that complicated. I mean it's . . . you know, it's not that we as a company . . . it's pretty simple. We don't have a lot of assets that require revaluing. Our balance sheet is pretty obvious what SGI is worth. And that's why it doesn't take a lot of time.

But I would expect, Mr. Chairman, that the parent company would want to know what its assets are worth, much as you would looking up to find out what . . . if you had invested in a stock market you'd want to know what your company was worth.

Mr. Yates: — And, Mr. Chair, again to the officials of SGI — and you may or may not have this information — but would not that type of information be required from time to time to look at

potential borrowing rates for the parent company and as it expanded perhaps other operations and these assets were all part of its . . .

Mr. Fogg: — It may be, Mr. Chairman, because the parent company which may have to borrow money may need this information. It's not . . . SGI would never have to borrow money so it's not necessary for SGI.

The Chair: — I guess at this point I'd interject as the Chair to encourage committee members to keep the questions to the realm of the operations and administrative practice at SGI and try to minimize the speculation as to the motivations as to CIC or other officials. That's . . . I'd urge all committee members to do that.

Mr. Yates, any further questions?

Mr. Yates: — Thank you, Mr. Chair. One further question to the . . . to SGI. Is there any anticipated or do you know of any further valuation that will be done on SGI in the future?

Mr. Fogg: — I'm not aware of any, Mr. Chairman.

Mr. Yates: — Thank you.

The Chair: — Okay.

Mr. Huyghebaert: — Thank you, Mr. Chairman. Just a question that came up when the CEO was talking earlier. And I'm interested in the 55 million from the province that the CEO had indicated. And I'm wondering . . . so that was capital investment, I believe, Mr. Chairman. I'm just wondering if the CEO can explain the 55 million and what actually it was the capital investment for, or the status of that 55 million?

Mr. Fogg: — The capital was invested in 1980, as I recall. That means I've been there a long time, but it was invested in 1980, and it was to approximate what share capital would be for a private sector company. It's the owner . . . I guess it's the owner's equity.

The Chair: — Any further . . . Mr. Huyghebaert? I've got Mr. Wall, then Mr. McMorris, then as always I'm happy to entertain further additions to the speakers list, but . . . Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman. Just as a matter of interest, to set the context for this question, how long has the CEO been with the corporation in any particular capacity?

Mr. Fogg: — 1980.

Mr. Wall: — 1980. Then given the fact that there was this valuation requested by Crown Investments Corporation, by the holding corporation, and potentially in '96, and in one of the reporting periods here today, in 1998, and given the response to the . . . Mr. Yates's question that this is, you know, a normal course of activities that corporations and holding corporations would do, how many valuations are you . . . I beg your pardon, is the CEO aware of having taken place in his tenure at the corporation?

The Chair: — Okay. Again, it's . . . I'm very reticent to try and

restrict the scope of questioning that's . . . Mr. Fogg is here as the CEO of SGI. So again, and it's . . . as far as the years outside of the annual reports in question here, and outside of Mr. Fogg's tenure as CEO, again we get off the straight and narrow and we get into a lot of speculative exercising. So if we could please keep it into the roles at hand and the reports at hand.

Mr. Wall: — Well I'm not sure, Mr. Chairman, what's speculative about the question. The question was whether or not the CEO was aware of any other valuations, other than these two that we've uncovered today, being done. They were done at the same time that we heard . . . this committee heard testimony from SaskTel that a corporate valuation had been ordered by CIC with the express purpose for the sale of part or all of the corporation through an IPO (initial public offering). That was the testimony of the Crown corporation president in the case of SaskTel.

If this has . . . was a broad policy of the government not three years ago, or four years ago, I think it's a . . . perfectly germane for this committee to want to question every single CEO about the issue of valuations. And that's what the question was.

I'll rephrase it thusly and just say in the . . . in his term as the CEO, is he aware then of any other valuations than these two?

Mr. Fogg: — Well as chairman and CEO, no.

Mr. Wall: — I'd like to get back to the question then of when these are requested. To me, if . . . they would raise a number of questions if I was a senior manager at SGI or even a middle manager that was now being asked to work with officials at CIC or some . . . perhaps Coopers & Lybrand, ScotiaMcLeod, RBCDS (RBC Dominion Securities Inc.), whoever it is. I would be interested to know why.

In the . . . you've already answered the question, in fairness to you, Mr. Fogg has answered the question that he did not indeed ask why the valuation was taken place, or was taking place in 1998. Was he ever informed voluntarily when they . . . When CIC indicated they'd be making the valuation, was he ever informed as to the reasons behind it?

Mr. Fogg: — No, I never was. No. It just seemed to me that they wanted to value their assets, and this was one of the valuations. And I didn't really go beyond that.

Mr. Wall: — Mr. Chairman, I guess we could perhaps switch gears. There's a whole series of questions we also have on a whole variety of issues relating to no-fault and relating to . . . in these three years, and also relating to the salvage operation of SGI auto . . . or of the Auto Fund.

But I wonder particularly if we could talk a little bit about — just before we get to that, maybe it sort of segues into that — the fact that . . . the profitable side if I can. And again I invite the officials to correct me if my terms are wrong. But the more lucrative side of the auto insurance is on the books of SGI general, and the basic of course stays with the Auto Fund.

And just as a historical context, if the CEO could set, please, for a discussion of this, a brief discussion of this, in terms of the

length of that practice and why the corporation does that.

Mr. Fogg: — When we split the organization into two companies was in, I'm thinking, about '85 — '84-85, because there was some cross-subsidization between, or at least there was some belief to a cross-subsidization between the monopoly, the compulsory program which everybody had to buy, and the extension on it, which was competing with the private sector.

So the feeling was . . . It wasn't just auto, either. We separated two companies. Each had their own financial statements at that point in time, their own balance sheets. Up until that point they had their own income statements but only one balance sheet. So at that . . . I think it was '84 we split them.

Mr. Wall: — And the decision was made, there were . . . I think there was some criticism at the time, Mr. Chairman, about what it did to the bottom line for SGI general and what it did to the bottom line for SaskAuto, and those who said that the government of the day was simply setting up SGI general to be a better candidate for privatization. You know, more valuable assets so to speak. There was those accusations levelled. And I don't . . . I'm not asking . . . It's not fair to ask you or anyone else to comment on those criticisms.

But has there ever been, and including in these reporting years because the issue continues to come up, consideration by the corporation to strengthen SaskAuto perhaps by putting . . . by moving the extended coverage back?

Mr. Fogg: — No, there hasn't, and I really would not recommend that be done. And that's the criticism that's going on in British Columbia at this very moment. Then you do have, or could have, some subsidization. Either the people under the compulsory program have to subsidize the people who choose to buy SGI CANADA insurance, as compared to all the other private insurers. I mean it would . . . No, I don't think we would ever recommend doing that.

Mr. Wall: — So thank you, Mr. Chairman. And to the CEO, notwithstanding the fact that that portion of the basic . . . or that portion of this, I'll just use the word, extension, is, you know, going to stay obviously with SGI general for the foreseeable future. And in light of the fact that some groups have been calling for competition in the province — and certainly they were calling them through '98-99 — it's not a new thing; it's been happening for some time and we have this debate publicly about whether it's good or bad. And I know the corporation has waded in on that particular issue, and the government has, and other groups have.

Would it be fair to say then, that the fact that SaskAuto just deals with basic, that it is, it would be in a more difficult position in terms of being able to compete with the . . . to compete with other private sector auto insurance that may or may not want to operate in the province?

Mr. Fogg: — Mr. Chairman, if you're asking me if you just simply opened up the whole auto business to competition, what would occur, well the Auto Fund, you have to remember, is a universal, compulsory automobile program. So that it's compulsory — everybody has to belong; and it's universal — we have to take you whether they want to or not.

The minute you change that from universal compulsory to something else, it would just simply disappear and SGI CANADA would then start writing, which is known as ground up auto, auto all the way up, and SGI CANADA would just go out and compete with the private sector.

But I mean what will happen is overall, just by its very nature, rates will increase on average because one, we're trying to make a profit; and secondly, it's administratively more costly to compete for business, to underwrite the business, to market the business, than it is to run a universal program.

Mr. Wall: — Mr. Chairman, I wonder if Mr. Fogg could comment on what would change if other companies were allowed to come in — and this isn't a rhetorical question; again, the answer is of particular interest — if other auto and private auto insurers were able to come into the province, the ownership structure of SGI or of the Auto Fund remain the same, government-owned?

And the imperative of the Auto Fund, which would be to . . . which would basically be . . . and it's highlighted in several of these annual reports that it need not make a profit and that's why it can offer more competitive rates than other provinces. That of all of that scenario would change that would all of a sudden require it to make a profit and drive up rates instead of being perhaps a price leader in a more open market?

Mr. Fogg: — The Auto Fund is a very simplistic automobile system. It does not cost a lot to administer. And if you look at the admin ratio compared to any private company, you'll see that. And the reason it is, because for one thing it doesn't have to underwrite. If you want the Auto Fund to be out there competing it's going to have to underwrite as well. And if you want to underwrite, which I'm not critical of underwriting because we do it in other provinces and we do it in this province, you're going to find that you're going to have to look at, you're going to have to prejudge what's going to happen.

So if you take a look at, for example, young drivers. I think 16 to 21 make up 10 per cent of the drivers in this province yet they cause 20 per cent of the accidents. So just by looking at that from a statistical point of view, and that's what underwriting is, you're going to have to make massive increases in their rates to compete, or otherwise you aren't going to be selected against and all you're going to have is young drivers. So that's what will happen.

It's not just young drivers. And eventually what happens is no one wants some people; no one will insure them. And then you have to have a facility association set up like you have in other provinces and then you're paying astronomical amounts of money.

Mr. Wall: — And so there's obviously a difference in the minds of the officials between — and I think I can see it myself — but there's . . . maybe you would wish to comment on a program that benefits or awards good drivers and a market that would penalize bad drivers.

Mr. Fogg: — Mr. Chair, I'm all for awarding good drivers. But underwriting does not necessarily award or reward good drivers. It rewards age groups — whether they're good or bad.

It's just statistics.

And I'm not critical but I'm not saying that SGI CANADA couldn't compete. It would just be a different way of doing business and rates overall would increase.

Mr. Yates: — Thank you, Mr. Chair. In an underwriting environment, would in fact a 20-year-old driver pay more for his licence even if he had a perfect driving record than he would today?

Mr. Fogg: — Would he pay more?

Mr. Yates: — Would he pay more.

Mr. Fogg: — On a private sector?

Mr. Yates: — Yes.

Mr. Fogg: — Absolutely.

Mr. Yates: — And then . . . so we would not be penalizing people, based on simply the fact they could be the best driver in the province, but for their age?

Mr. Fogg: — Mr. Chairman, I . . . you know, that's what underwriting is. It's looking at statistics and making the judgment on what you think will happen. You can't pick out the good drivers from the bad, unfortunately.

Mr. Yates: — Thank you, Mr. Chair. So in an environment where you underwrite and you share the risk, perhaps through a different pool of people, could you not have people, as in some jurisdictions, that simply cannot get insurance?

Mr. Fogg: — What you have is people who no private sector insurance company will take, yes. Then the privates . . . because by law you have to have insurance, no one will insure you, the governments in other provinces have forced something called facility association.

So each . . . based on the amount of premium you write in that province, you have to take . . . The bad drivers go into facility association. All the insurance companies share in those risks, but they can charge basically whatever insurance premium they like and offer pretty low coverages.

So you wouldn't be getting, for example, collision coverage, theft coverage. You'd be getting liability coverage.

Mr. Yates: — Thank you, Mr. Chair.

The Chair: — Seeing no further questions on this subject at this time, perhaps we'll recess for lunch and reconvene at 1:30.

The committee recessed for a period of time.

The Chair: — Okay, folks, I believe we'll call back to order. I hope everybody had a good lunch.

And I will start the speakers list over again. Mr. Wall, Mr. McMorris. Variety being the spice of life.

Mr. McMorris: — Yes.

The Chair: — Spice away, Mr. McMorris.

Mr. McMorris: — Thank you, Mr. Chair. I just had a couple of questions on a couple of the comments that you'd made this morning. And one of them was regarding reinsurance and you were talking about reinsuring the subsidiary, I guess. SGI CANADA was the reinsurer for the subsidiary — is that correct? I'm not real up on insurance but I just kind of wanted to get a clarification on that.

Mr. Fogg: — Yes, Mr. Chairman, there's . . . we have a reinsurance program with external reinsurers; and then for SCISL we have another reinsurance program that reinsures a portion of SCISL with SGI CANADA.

Mr. McMorris: — Mr. Chair, does SGI then reinsure any other insurance companies? Are you in the business of reinsuring?

Mr. Fogg: — No. No, we're not. We got out of that business in 1985.

Mr. McMorris: — So you are reinsuring the subsidiary though and . . .

Mr. Fogg: — We are reinsuring the subsidiary, yes.

Mr. McMorris: — I guess the problem with that is . . . Or do you not foresee any problem with that in the event of, you know, a fairly major wreck in whatever that you're not only the insurer but the reinsurer? And how would that affect . . . You know I don't know what the dollar value of your liability is, but being the reinsurer as well, I mean that's the whole point of reinsurance is capping. You take a certain amount of risk and then lay off the other portion of risk onto another insurer. And being both insurer and reinsurer I would think that would be quite a large risk, depending on the liability level.

Mr. Fogg: — You're exactly right, Mr. Chairman, on what reinsurance is supposed to do and let me see if I can give you an example.

In Saskatchewan we would not assume . . . or take a risk greater than a million dollars. That's the most we would ever have on any particular risk. So if we had a building worth \$3 million, we would — and there's a number of programs and I'm simplifying — we would keep a million net and two million would go out to reinsurers across the world.

In Manitoba we can't . . . we couldn't afford to take a million net in Manitoba because we don't have enough capital there. So I think we were taking 50,000 is the maximum we would take. So from 50,000 to a million, SGI CANADA would assume; from a million to 3 million would go out to the external reinsurers, if that's . . . so it's not really . . . it's just . . . it's almost like we're writing it out of . . . We're treating it almost like we were writing it out of SGI CANADA but we had to set up a separate company.

Mr. McMorris: — So in other words really you're reinsuring through a couple of . . . SGI CANADA is not the total reinsurer.

Mr. Fogg: — Oh, no. No.

The Chair: — If I could just quickly jump in — you of course, yourself, individually, were not doing it. It was SGI. And all questions be through the Chair, of course.

Mr. Fogg: — Yes, you're correct, Mr. Chairman.

Mr. McMorris: — Thank you. I guess the other area I just wanted to touch on from this morning after listening to your comments was through the crop . . . the hail crop insurance; the hail insurance, I guess I should say.

And I know, being familiar with hail insurance unfortunately this year, kind of have an idea of how the system works and realize that you are in partnership with the three other companies, McQueen, Butler Byers and Wray, I believe. How much would have SGI put into . . . I guess at the initial stages propping it up so there was enough capital for the companies to carry on?

Mr. Fogg: — \$2 million.

Mr. McMorris: — \$2 million. And you're also mentioning this morning that you're in the process of exiting that partnership and you'll receive all \$2 million back?

Mr. Fogg: — I would expect we would, yes.

Mr. McMorris: — Okay. I guess that's pretty much my questions on insurance, on crop insurance, hail insurance, and reinsurance. I did . . . Maybe I'll defer it to someone else. I do want to come back to the process that SGI goes through for grants, when they're granting money out.

I listened to the auditor this morning that says you don't have a list of payees as far as who you grant money to or, is that correct, from the auditor? So I would like to kind of delve into that area, but I think there's some other questions before we get to that.

The Chair: — Serve notice for that. And I've got a speakers list consisting of Mr. Yates, then Mr. Wall. And as always, I'm open to speakers. Mr. Yates.

Mr. Yates: — Thank you, Mr. Chair. I just want to clarify this reinsurance issue. We're talking about SCISL, SGI CANADA. SGI then reinsures a portion of that. But that also would be covered in what SGI gets . . . sends out for reinsurance to other reinsurers, would it not? So it's sort of an intermediary in order to do it in a bulk way in order to get better rates. Would that not be a . . .

Mr. Fogg: — Yes, Mr. Chairman. That's essentially right.

We tried to treat Manitoba risks as if they were Saskatchewan risks, but we couldn't because we didn't have enough capital. So there is a portion of the risk is reinsured by SGI CANADA, and if it's greater than what SGI CANADA would normally take, we go to outside reinsurers.

And, Mr. Chairman, there's a number of reinsurance programs. It's not just one reinsurance program. We're talking about one,

but we have many reinsurance programs to spread the risk.

Mr. Yates: — Thank you, Mr. Chair. That's all my questions at this time.

The Chair: — Okay. Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman. Back again to SCISL and to the net profits of the operation. For the years under review, it looks like there would be a small . . . no, a substantial loss, a net loss in those three years. And while at the end of 2000 there are some . . . there's a small amount of retained earnings, certainly the taxpayers in these three reporting years suffered a net loss.

And so with respect to that, what's the dividend policy of the parent and the subsidiary in this case? Is there one? Is there . . . for example at the end of '98 there was \$810,000 in the retained earnings. And obviously it looked . . . you know, I'm guessing that most of that stuck to the subsidiary. And so what is the policy that SGI has in terms of its subsidiary and potential dividends?

Mr. Fogg: — As far as the subsidiary is concerned we have never ever paid any dividend. We have left it in the subsidiary.

Mr. Wall: — What is the long-range plan then for how this sub will benefit the parent?

Mr. Fogg: — Well long range, ultimately of course we would expect the subsidiary to be profitable and ultimately pay dividends. Except that you . . . any time the subsidiary grows and we want to write more premium, then we have to leave more capital behind. The superintendents insist on it. And while there are certain rules to it, it's usually for every \$2 in premium you write, you need \$1 worth of capital. And the point in time in which you no longer need the capital, it will flow from SCISL to SGI CANADA, from SGI CANADA to CIC.

Mr. Wall: — So, Mr. Chairman, then the dividends that the . . . for these three reporting years — but certainly the CEO may want to comment on years previous to that — but for these three reporting years it would appear that in exchange for the risk of investing and operating in other provinces, the province of Saskatchewan has received the 12 jobs that you talked about and that's it.

Mr. Fogg: — I think what we said was 12 direct jobs in two . . . and 26 person-years of work . . . 38 person-years of work.

As I've tried to say, the intent of this is ultimately to make a profit, to create jobs, and to spread risk. We've spread the risk, we've created the jobs, and we haven't made the profit we should have. And you might say, well 38 or 28 jobs isn't a lot. But alternative investments may have been to buy a bond in the province of New Brunswick or a bond in the province of Ontario which would have created no jobs. And so I think when you look at whether this was good for the province compared to a passive investment, I guess we would . . . I would think this would be beneficial, in my opinion.

Mr. Wall: — Thank you, Mr. Chairman. Conversely of course, if you make an investment such as this, there's a certain amount

of risk that goes along with it. And while it hasn't suffered us any losses yet as taxpayers, it certainly hasn't provided any dividends back to the Saskatchewan people. It didn't in any of these three years and I'm hearing today that it hasn't yet.

And so, what is the date? Certainly the Crown, I'm sure, will have a business plan as regards SCISL and this ongoing investment. You must — I beg your pardon — the corporation must because it continues to make acquisitions, or at least add to its investments, most recently in PEI. So what is the target date for when this venture will return a dividend to the parent company, and therefore to the people of the province?

Mr. Fogg: — We have certainly a target. We have five-year forecasts and we identify what we think we're going to have for a level of profit at that point, and what we think the retained earnings will be. At which time, we want to pay a dividend in those . . . I don't know if we've identified the year in which we would pay the dividend over. We could. We've more or less been interested in the profit picture but if you . . . We could have developed the day we'll pay dividends because the dividends, as I say, will just flow from one company to the other. And the minute we get to the point where we have enough capital in the subsidiary, then we can pay the dividends because they'll just be passive capital anyway.

Mr. Wall: — Well, Mr. Chairman, on, you know, on behalf of the shareholders, which is everybody in the province of Saskatchewan, it . . . they, you know . . . it's not SGI frankly, it's the people of the province. I guess I would . . . I wouldn't have a question so much as an encouragement that when SGI continues down this road as it is, in terms of making out-of-province investments and risking money in other insurance markets, and there's been much commentary about the risk environment in the Ontario market where the . . . where SGI has made its most recent investment in terms of purchasing a company . . . Just an, you know, an encouragement and an invitation to comment to the CEO, that some target at least, at the very least, every . . . certainly there must be pro formas that the corporation's done, and people have a right to expect, at least a target, I think, of a dividend.

Mr. Fogg: — Mr. Chairman, you're exactly right. We have a five-year pro forma statement. And our dividend policy for the subsidiary will be the same as it is for SGI CANADA. And we have a, they call a net risk ratio of 2:1 and once we get to that net risk ratio, then the capital's no longer required, then the dividends will flow from the subsidiary to SGI CANADA and also to CIC.

We have a five-year projection, and if I look ahead, I can probably tell you at what date we think the dividends will flow. I'll get that for you.

Mr. Wall: — In the future annual reports of SCISL, would it be — maybe this is a question for the auditor or the corporation, just a future question before we move on to another area I guess — will it be easy to discern the performance of these individual investments in terms of the acquisitions of separate companies in PEI and in Ontario? It will be . . . In the annual reports or at least in the auditor's commentary on those reports, it will be easy to determine as a stand-alone how those investments are faring?

Mr. Ahmad: — Mr. Chairman, those two companies are going to have their own financial statements and annual report, I suppose.

Mr. Wall: — And they'll go through this normal procedure?

Mr. Ahmad: — Yes, right.

Mr. Wall: — Okay, good. Thank you.

I guess I'd like to . . . I indicated before lunch, Mr. Chairman, that we wanted to ask a few questions about the salvage program. I don't know if there was any particular documents that you need for that but I tried to give some notice.

I wonder if the planning I think of the new salvage facility in the city of Regina was underway in this last reporting year we're dealing with, or maybe an earlier . . . maybe even in '99 or '98. And so therefore with that preamble, I wonder, Mr. Chair, if I could ask the officials for an update on the status of that new salvage, \$14 million salvage facility.

Mr. Fogg: — Yes, Mr. Chairman. It's not a salvage facility per se. The first reason we wanted to build a new building was, it's a commercial claims centre. We attached the salvage building to it and the claims technical services and make it one building so we didn't have to tow the vehicles around. But the real reason we needed it was more for claims than for salvage. And I've got something, Mr. Chairman, I'll just find out . . .

The Chair: — Feel free to take a minute to find the information.

Mr. Fogg: — Okay, Mr. Chairman, do you want me to describe this building and why we did it, or what would you like?

The Chair: — Assuming by the nod of the questioner's head, I'd agree. Yes, please do.

Mr. Fogg: — Okay. We did a study on our Regina branches which we concluded in December 1998. The study was done primarily in response to requests for facility renovations for the commercial centre as well as for the salvage building, and we needed additional compound space at both buildings. We didn't have enough place to store the vehicles. And the study recommended that a better long-term solution would be to relocate all of these business functions in one shared facility.

The salvage building was in its 19th year of its 20-year estimated life. We had to do mechanical and electrical upgrades and we had to do some upgrades to do with energy efficiency. And those renovations would have been about \$2.3 million and we would have not created any long-term value to that building.

Commercial claims, which handles towing and commercial vehicles, was in need of an appraisal garage expansion. The renovations to that building were estimated at 2.4. The property is in its 14th year of an estimated 40-year life. Now that building is a newer building, and I think it's fair to say, when we built that building 14 years ago, we didn't anticipate the number of claims that there were going to be there.

So we struck a land purchase agreement with the City of Regina

in April 1999 for the purchase of 38.4 acres of land fronting Fleet Street and Ross Industrial Park and we have the option to buy additional land. And The Ellard Croft Design Group was commissioned in November '99 to begin a design of the new facility.

And I could go through some more. It's a green building. It can achieve aggressive energy savings. You're right, it's going to be about \$14.2 million. And it's proceeding along — I think it's about 94 per cent complete now.

Mr. Wall: — Mr. Chairman, I'm wondering if Mr. Fogg would tell members of the committee then what are the plans for those facilities he mentioned that need to be replaced.

Mr. Fogg: — The ones that are going to be . . . the commercial claims centre that is going to be replaced, we rent space for SGI CANADA staff presently on Victoria Avenue. There's an SGI CANADA space there where we rent that for the general claims office. And we're going to take those people and move them into that facility on the commercial claims centre and no longer rent that space. And we're going to sell or dispose of, in some fashion, the old salvage building. And we're also cancelling two other leases where we store vehicles presently because we'll have our own space now.

Mr. Wall: — And what is the target date for the full completion of the new facility and then the relocation?

Mr. Fogg: — We're moving in April of this year.

Mr. Wall: — Mr. Chairman, I'd like to ask some questions about what occurs at least in part in that facility in terms of salvage, and in other SGI salvage operations across the province.

Mr. Fogg and myself, we had the pleasure of exchanging letters, or at least he certainly was able to provide some response to my letter to the then minister of SGI about the salvage issue and about SGI's activities in this regard.

I wonder if we could ask first, Mr. Chairman, if Mr. Fogg could outline for members of the committee any major, substantive changes or additions in the SGI salvage operation in the reporting years '98, '99, and 2000.

Mr. Fogg: — I don't know if there's . . . well not really; that we built a new building, a salvage building, in Moose Jaw in those three-year period.

The salvage has been in business since 1945. It's there for three reasons. One is to, mainly, is to put used parts back into the claims process; keep the claims costs down. Secondly, its intent is to make a profit which the profits flow into the Auto Fund, which again goes to reduce the claims costs. And third, it's . . . we want to have an environmentally friendly salvage disposal facility and so it has targets for that. So those are the three major reasons. What . . . Yes, okay, those are the three major reasons.

Mr. Wall: — Thank you, Mr. Fogg. Mr. Chairman, what portions of SGI salvage and the locator service compete with private sector salvage industry operators in the province?

Mr. Fogg: — Mr. Chairman, if the question is . . . We sell parts from the vehicles we dismantle in the province and then if the customer can't get that part there, we will look for a part for him elsewhere.

And if you're asking me what percentage of the sales that we make are on our salvage that we have dismantled compared to the salvage we have located on the locator service, is that your question?

Mr. Wall: — Yes.

Mr. Fogg: — I don't know, Mr. Chairman. I'll get it for you. I can tell you it wouldn't be a great deal but I'll get you the answer.

Mr. Wall: — Thank you. Mr. Chairman, on the same vein, what priority does the current SGI locator process place on sourcing parts from local . . . from the about 100 wreckers in the province of Saskatchewan?

Mr. Fogg: — My understanding is that the locator service . . . The only parts that the locator service can locate are other salvors who are on that service. Not every salvor is a member, if you will. And so, what they try to do — and it isn't a lot — but when somebody comes in, we don't have the part, we're trying to provide good customer service, we will try to find them the part.

And I don't know . . . and I think it . . . I don't know how much of that is found in Saskatchewan and how much is found outside of the province. I don't believe there's a lot of private salvors in this province that are on the locator service.

Mr. Wall: — Mr. Chairman, with respect to the locator system SGI uses when it purchases parts from out of province, which I understand is a reasonably regular occurrence, what . . . how do the tax, because it's a Crown, how do the tax implications work on those purchases? The sales tax . . . both our tax, I guess, and the GST? (goods and services tax).

Mr. Fogg: — We pay the applicable sales tax in the jurisdiction that we buy it from.

Mr. Wall: — Including the GST . . . (inaudible interjection) . . . Thank you.

On average, in the years under review, how many vehicles that SGI processed were a total loss?

Mr. Fogg: — 15,000, approximately 15,000 a year.

Mr. Wall: — And, Mr. Chairman, how many were sold to auto recyclers versus the public?

Mr. Fogg: — We dismantled 2,000 of those vehicles. So the other 13,000 were either sold to members of the private sector, or we sell it back to the insured because they have a right to keep their salvage, or it goes to vehicle dismantlers.

And we probably have a breakdown of that. I just don't have it. A lot . . . much of it is kept by the insured.

Mr. Wall: — That's the concern now that we hear. I should be more . . . I should explain that a little better. You've highlighted those three things that occur with these total loss vehicles, and so I wonder if Mr. Fogg would comment for the benefit of the wreckers in the province of Saskatchewan, some of whom feel that they are competing with their own government at least as regards the locator service, certainly in areas of salvage.

Would you comment for them that in these . . . whether or not you felt that occurred in these three years and whether you or not SGI took any steps or is taking any steps to mitigate the competition it poses to its own residents, its own businesses?

Mr. Fogg: — The issue of SGI being in the salvage business has been an issue since I've been there — since 1945, because obviously if we're . . . As a monopoly, all of the . . . not all the total losses but most of the total losses are ours. And as I say, we've been in the business since 1945. The purpose was to get . . . dismantle the vehicles, put the used parts back into the system. And then we sold . . . What we didn't need or didn't use, we sold.

Now you're right. We have been competing with the private sector since 1945 and this has always been an issue. But I think, if you look at from the Auto Fund point of view, certainly the use of used parts in the system does keep claims costs down and the profit that salvage division does make also goes to assist keeping rates down.

But you're right at the same time. And it has always been thus that we have been competing with the private sector.

Mr. Wall: — Thank you. Mr. Chairman, in these three reporting years how much revenue did the salvage operations contribute to the bottom line of SGI? And it would be directly, I'm sorry, to . . . And it would be to SaskAuto; it would be the Auto Fund.

Mr. Fogg: — It would be the Auto Fund.

Mr. Wall: — Right.

Mr. Fogg: — In the year 2000, it was 4.7 million; in 1999, it was 4.9 million. I'll get you '98 — and in 1998, it was 4.4 million.

Mr. Wall: — In each of those . . . or in any of those three years, Mr. Chairman, did officials of SGI meet with auto wreckers, salvage operators in the province, or has there . . . I guess what I'm trying to get at, Mr. Chairman, is, you know, the problem's been around for 60 years and for rightly or wrongly, the industry, the private sector guys out there think the problem will soon be exacerbated by new developments such as the new facility — like I said, rightly or wrongly, that's a perception and a concern.

And the, I guess, the question is in each of these three years or since, what . . . is SGI doing anything to meet with auto wreckers to find out what could be done, if anything, to address their concerns? Understanding that, I am sure, SGI has grown quite attached to its near \$5 million annual stipend that it gets on the salvage industry. Is there some effort being made?

Mr. Fogg: — We have . . . I know that when I was in the . . . vice-president of claims we used to meet with them regularly. It . . . we try to . . . obviously we want a very solid private sector salvage industry out there because they provide used parts into the system as well. So it's a balance between us dismantling vehicles, putting the sheet metal aside, putting them back into claims, and letting the private sector get those vehicles and sell those parts.

And I will agree with you on the locator service that we . . . that's a new service. And we have a policy of trying to improve customer service to our customers. And it . . . and although we're not trying to take a lot of business away from the private sector, when the customer is there saying I'd like this part, we would like to service that customer the best we can. And I realize at the same time we're competing with the private sector. And that . . . and it would . . . it has always, as I say, been a difficult issue for us as long as I've been there. We've been having this same sort of debate.

Mr. Wall: — Thank you.

The Chair: — We've got Mr. Huyghebaert on the speakers list and, as always, feel free to get on it. But . . . Mr. Huyghebaert.

Mr. Huyghebaert: — Mr. Chairman, a question to the CEO. It's in reference to the new salvage facility. I believe I heard the reason for the new building is the number of claims have increased substantially to warrant the new building. My question is: is the number of claims that have increased in proportion to an increase in the numbers of people or autos insured?

Mr. Fogg: — I think what's happened over the years is I'm not sure that there's more claims per vehicle on the road, but what there is is more claims in the cities of Regina and Saskatoon and less claims in rural Saskatchewan over the time. As more people have moved to the cities, cities become more congested. There's more likelihood of a claim in the cities. And so the claims certainly in Regina and Saskatoon have grown dramatically.

Mr. Huyghebaert: — So, Mr. Chairman, I take it there's not an increase in the numbers of vehicles insured?

Mr. Fogg: — Not dramatically, no. I think there's about 875,000 vehicles insured and it goes up and down from time to time. But that's pretty consistent.

Mr. Huyghebaert: — So a follow-on question then, with the new facility — and I understand if there's more fender-benders within Regina and Saskatoon, is there any consolidation of rural facilities involved with the building of this new structure?

Mr. Fogg: — Mr. Chairman, if the question is are we going to close any claims centres or take any staff out of those claim centres, no we're not.

Mr. Huyghebaert: — Thank you.

The Chair: — On the speakers list I've got Mr. Yates, then Mr. Wall. And Mr. Prebble, are you doing something significant with your pen? Good, okay.

Mr. Yates: — Thank you, Mr. Chair. My question goes back to the issue of salvage and locator service. Has there been any research done to the possibility of SGI assisting in a low-cost locator service for SGI and Saskatchewan wreckers? Perhaps amalgamating some of the systems that may be out there today as you go on-line?

Mr. Fogg: — Mr. Chairman, not that I'm aware of, but I'm not saying that we wouldn't look at some sort of partnership with private sector salvagers. And maybe something could be done. I don't believe we have but we're certainly willing to look at that and talk to the private sector if they want to work with us on getting onto the locator service.

Mr. Yates: — Because it's probably in all our best interests if the parts are bought in Saskatchewan versus bought elsewhere.

Mr. Fogg: — It's all in our best interests, for everybody's best interests, if more used parts are used in the claim repair process, absolutely.

Mr. Yates: — Thank you.

Ms. Jones: — Thank you, Mr. Chairman. Mr. Wall stated in some of his previous questioning that he realized that SGI was, I believe he said attached to the \$5 million that they receive in salvage business. And I'm wondering if the officials could give us some idea of the impact that the loss of that \$5 million might have on the premiums in Saskatchewan to folks who are insuring their vehicles.

Mr. Fogg: — Well, the \$5 million, if you take . . . \$4 million is about 1 per cent in premium. But you've got to look at it more than the \$4 million. That's just part of it. What's more important is the amount of used parts that went into the process that otherwise may have had to be new parts, and I haven't got the figure for you there but . . .

A Member: — Here it's about 40. Sixty per cent is new so it saves 40 cents on the dollar.

Mr. Fogg: — So every dollar of used parts we use saves 40 cents on the dollar. It's only 60 per cent of what a new part would be. So it's really important we put used parts into the process.

Ms. Jones: — And just supplementary to that, Mr. Chairman, I'm wondering, in terms of a dollar figure on an average, or if there is such a thing as an average insurance premium, what 1 per cent represents in terms of dollars to the insured, the person paying the licensing fee.

The Chair: — What does the 1 per cent translate into.

Ms. Jones: — Yes. What's that? Is that \$20, 5, 37?

Mr. Fogg: — I'd say somewhere between 5 and \$10.

Ms. Jones: — Thank you, Mr. Chair.

The Chair: — Okay. Mr. Wall.

Mr. Wall: — Thank you, Mr. Chairman. I'd like to talk, if I

can, for a little bit about the vehicle impoundment program and again some correspondence on the issue that we had in the years under review.

I would also like to say, vis-à-vis Ms. Jones' remarks, that your last comment — I beg your pardon — Mr. Fogg's last comment, I believe he supposes that if government decides to get out of a particular industry in any jurisdiction that it's not replaced by the private sector by a local . . . or many local, private sector industries. And I think that's what your comment presupposes, and I think that's part of the problem that we have with the government's approach to things — that if the government isn't prepared to do it through a Crown or otherwise, that the private sector, that some other business, co-op, what have you, wouldn't be prepared to do it.

Maybe if you want to comment on that, that's fair.

Mr. Fogg: — I'll just make one comment on it. What the salvage division will do and which a private sector will not necessarily do, when a car is dismantled, instead of putting the parts up for sale, sheet metal up for sale, we will take them and store them waiting for a car to be damaged and make sure they go into the process. They won't simply be sold off to private sector people who are rebuilding their own cars, for example. So we would do something that the private sector would not necessarily do.

Mr. Wall: — Mr. Chairman, on the issue of . . . And this is ironic, because we've been discussing a little bit about some conflict that exists between a sector of businesses in the province and SGI or the Auto Fund in particular. And then of course, in the year under review, at least in 2000, I think there was a review ongoing that I'm not sure if SGI had initiated or not, but it was working with the Saskatchewan Towing Association on the vehicle impoundment program.

There were some problems that had come to light, serious problems I think if you were an operator, if you're in the towing business, working with the vehicle impoundment program at SGI to the extent that some cars which had been impounded and subsequently sold by operators were the subject of investigation by the Provincial Ombudsman. Obviously someone had made a complaint and perhaps about the sale or how quickly . . . I'm not sure what the nature of the complaints were, but suffice it to say that some of the companies were being investigated.

I think that was confirmed in the letter that I did receive back, which I appreciated, from yourself. I had written to the minister and I'd received a letter back from the CEO. But in that letter back from the CEO in 2000, in April 2000, there was an indication that this sort of was an ongoing process to try to address this concern or adjust this program with the Saskatchewan Towing Association. And I wonder if Mr. Fogg has an update on where that's at.

Mr. Fogg: — Mr. Chairman, I'm sure I must have written the letter, but honestly I can't recall the issue.

Mr. Wall: — Okay. Well that's fair enough. No, absolutely . . .

Mr. Fogg: — I mean, I'm sure if I saw a copy of the letter, Mr. Chairman, I could then remember what it was but I just can't

seem to recall.

The Chair: — Viktor, our Clerk of the committee, will find it.

Mr. Wall: — Sure, that's no problem, you know. And there's . . . there's tomorrow too, so that's not . . . I understand that. That's no problem. I was just wanting an update on that.

The Chair: — Okay. On the speakers list I've got Mr. McMorris.

Mr. McMorris: — Thank you, Mr. Chair. Regarding the vehicle impoundment program, I remember when that was implemented. And a number of the reasons why vehicle impoundment was implemented was the fact that, you know, after licence suspension people were still driving. And I mean if they didn't have a vehicle to drive, that was the whole point of vehicle impoundment. I believe that Manitoba had started that prior to it coming to Saskatchewan. I believe they were on-line for a year or two.

And I don't know if you would have any of the numbers on this. I remember hearing some staggering numbers on how many people were driving in the province with licence suspension. And I mean it was amazing. Do you have any statistics showing that vehicle impoundment has dropped the number of drivers driving while suspended?

Mr. Fogg: — I wouldn't have that information, no. I don't know if there's a staggering number that are driving while suspended. There's a staggering number of unregistered motor vehicles out there: some by accident — they just forgot to renew — and some are suspended. But we do . . . what I can do for you, Mr. Chairman, is bring in how many vehicles we impounded over the last three years which would give you some indication I suppose of how many people are driving while suspended.

Mr. McMorris: — So I'm sure vehicle impoundment is just not because of unregistered. It would be very interesting to know the breakdown then of what impoundment . . . the reason for impoundment was either unregistered vehicle or driving while suspended.

Mr. Fogg: — They'll all be driving while suspended. We won't impound while you're just not registered. We only impound if you're driving while suspended.

Mr. McMorris: — And I believe the program was implemented, what, in about 1998 or '97, sometime in around there. And it would be very interesting to know the numbers of, the increase of . . . Because it was right around that time where SGI brought in a number of the drinking and driving initiatives such as 24 . . . point 06 and those type of things. And so I'd be very interested, if you can have those at the break.

Mr. Fogg: — I'll bring in the impoundment statistics and whatever else. I'll simply bring in the impoundment statistics, Mr. Chairman; and anything else you would like, I'm sure we've got it somewhere.

The Chair: — Okay. So you've got notice on Mr. Wall's question and on Mr. McMorris's question. Anything else, Mr.

McMorris?

Mr. McMorris: — No, that should do it.

Mr. Wall: — Thank you, Mr. Chairman. I'd like to again switch to another subject and one that I've also recently corresponded, I think, with officials, but I think it will be germane also in the years under review because I'm sure it's been an issue for some time.

And it has to do with the \$15,000 physical damage cap. And I appreciated the response of the officials that I got on the letter indicating that different stakeholders in the industry — I think the brokers were one — are concerned about a change in this regard.

On the other hand you know — and I think I tried to express it in the letter to the minister that Mr. Fogg then responded to — is this concern that in terms of being competitive, our small-business sector being competitive with neighbouring jurisdictions on something as basic as licensing their trucks, for example. And for some businesses, as Mr. Fogg will know, especially in the southwest with the oil industry, that's a large expense. It represents a big cost for them and also I think is part of the reason why, in southwest Saskatchewan and maybe elsewhere, there are a number of Alberta plates at any given time in our area, operating in the area and they're basically Saskatchewan operations that are doing that.

Part of the reason, part of it anyway is the \$15,000 cap that is put on physical damage and yet the actual plates that . . . you know the amount they're paying for the plates is not far off of what they would have paid for the full coverage of a resident or you know just an individual.

So I wonder if you would comment on it . . . or if Mr. Fogg would comment on it, Mr. Chairman, and on any progress that was made in the years under review or since to try to find out some solution to it. Because I also know where the brokers are coming from on this.

Mr. Fogg: — This has been in place virtually since the corporation started. And the reason being, the feeling was, before we had a lot of statistics, that commercial vehicles were a bigger risk on the road. They're on the road more often. Likely they should either pay a higher premium or have less coverage.

And you're absolutely right. So on commercial vehicles they have a \$15,000 cap where on private passenger vehicles, that same vehicle will pay approximately the same premium and have ACD (accident collision damage). That's the issue. And the issue . . . it's an issue for SGI CANADA to a degree, private sector insurers to a degree, but mainly for the brokers.

Because if we removed the cap, then the brokers will not be able to sell this additional insurance, and they will not get their commission. And while it's not a lot of money — I think it's a couple of million dollars for the brokers — for an individual broker, especially one working near the oil patch, and some of them are small, it is a big hit to them if I just removed that cap without putting anything in its place.

However, it's unfair to the commercial businesses. I understand that. We sit down once a year with — well maybe more than once a year — we sit down with the brokers as motor license issuers, and we're going to start that process in a month's . . . very soon.

And one of the things that we're going to have to address is the removal of this cap because I agree that we are in some ways discriminating against the commercial vehicles. Before I do that I've got to make sure I put something in place so that these brokers don't simply lose a vast amount of their income. So that's the dilemma I'm in and that's what we're trying to work on. I would hope to get that done this year, yes.

Mr. Wall: — Well, through you, Mr. Chairman, to Mr. Fogg, his officials and the government members, we would certainly . . . we're hopeful that you have a lot of success in that because I think it's fair to say it is a concern for the people — the small-business people in the insurance business, but also for those people who wish to remain competitive.

Mr. Chairman, we have a whole number of no-fault questions that we were intending to ask tomorrow. I don't . . . I think we probably have too much . . . too many to get through today. So I'm in the hands of my colleagues in the committee. I am certainly happy to start on that and . . . or wait until tomorrow or whatever it is that the committee wishes to do.

Do you want to take a break and . . . (inaudible interjection) . . . What's that?

Mr. Yates: — What time would you go tomorrow? Do you have any idea about your . . .

Mr. Wall: — Oh, we would probably be done right around the lunch hour, I'd expect, give or take. I don't know, it's hard to say.

The Chair: — So about an hour and a half is what we're looking at, and it's . . .

A Member: — We could start at 9 tomorrow.

The Chair: — Perhaps what we could do is . . .

A Member: — Start earlier tomorrow if you want.

The Chair: — Or, pardon me, two and a half hours tomorrow.

I guess I'm in the hands of the committee on this. Let's take a 15-minute break, ponder the merits of this proposal, and we'll see you in 15 minutes.

The committee recessed for a period of time.

The Chair: — We'll reconvene right now. And I thank you all for being so courteous and punctual. But we will reconvene. Mr. Fogg. And I've got a speakers list starting with . . . Mr. Wall, were you on it, or are we shifting to Mr. McMorris?

Mr. McMorris: — Thank you, Mr. Chair. I had mentioned earlier that I kind of wanted to go into the area of the grant program. But first of all, before I go into that, I would like the

auditor to then kind of restate what one of the recommendations were, what you were looking for in the annual reports, from the auditor's perspective, that hadn't been put in in the last three years.

Mr. Ahmad: — Mr. Chair, the recommendation is not just for SGI and related organizations; it's for all the Crown corporations. And we said that they should provide the payee list for all payments. And that was in line with the recommendation of the Public Accounts Committee. And I understand that you guys are going to prepare that in connection with CIC, or dealing with CIC.

Mr. McMorris: — I guess that's where some of my questions would go then, is . . . I know SGI sponsors, for example, curling bonspiels and a number of different things. They also award grant money to a number of different organizations.

Could the CEO give me I guess a dollar figure of what SGI puts into the various promotional, I guess, really the curling classic would be a promotional advertising — maybe classed as that. But as far as the grant money, how much does SGI give out in grant money to the various organizations? Do you have any sort of a dollar figure?

And if you don't maybe have a dollar figure — I wouldn't mind seeing that eventually — but what are some of the criteria that SGI uses? How is it determined? What sort of reporting process do the organizations that receive grant money have to give to SGI to show that the money is being used in accordance to . . . in a suitable fashion for SGI, I guess?

Mr. Fogg: — Mr. Chairman, it depends whether we're talking about the Auto Fund or SGI CANADA, because they sort of have different criteria.

But the Auto Fund looks first at traffic safety. Then it would look at . . . SGI CANADA would look at crime prevention, for example. They relate to those types of things. And then we just have a large number of other sorts of, I guess, grants to charity — charitable organizations. But our concentration would be on crime prevention, traffic safety, and youth. That's where we would look first. But that's not to say we wouldn't give grants to hospitals.

The SGI CANADA charity classic really doesn't cost SGI very much at all. It more than pays for itself. What we really contribute to that is the staff's time — the staff volunteers — but we don't actually make a big donation to that.

But we would, we would . . . for example SADD (Students Against Drinking and Driving), we would give 50 to \$100,000 to an organization like SADD and the Saskatchewan Safety Council and those types of organizations.

Mr. McMorris: — What type of reporting process then or onus on these groups do they have? Do they report back to SGI with what is being done with the money? I'm certainly familiar with both those organizations.

Mr. Fogg: — Yes.

Mr. McMorris: — But I would be interested to know is that

money going to programs specific or is it going to administration to keep the organizations going. And I would be interested to know how that is reported back to SGI, if it is.

Mr. Fogg: — It could be both. It could just be a sustaining grant we would give to an organization. But we may want them to put on snowmobile safety programs for example, and then they would have to report back. We would have certain requirements and they would report back that they met those requirements. So it could be a little of both.

Mr. McMorris: — Would it be possible to get some sort of a, as it was mentioned, a bit of a breakdown on where monies are going to from SGI through the Auto Fund to do with traffic safety?

Mr. Fogg: — Certainly, everything over. If you gave me a dollar figure I would get you the list, anything over that dollar figure. Whatever you would . . . I don't know. Is it about \$10,000?

Mr. McMorris: — \$10,000 is that a . . . probably a fair figure to start with.

So there's no . . . I guess some of it goes to programs, some of it goes to administration, but there is no reporting back then to SGI. For example SADD, whether it's . . . I'm surprised that it would be up to \$100,000, SADD now but . . .

Mr. Fogg: — It's getting up there.

Mr. McMorris: — What they're doing with the money and the projects and the events that they're putting on.

Mr. Fogg: — We do know because we have . . . one of our employees is on the board of directors of SADD and may be the Chair or the Vice-Chair of the board. And they would look at where the money's going, where it's being spent, look at the budget. So they would know from that point of view.

Some other organizations, we would just simply give them the grant and they would . . . If it was a hospital for example or they're building a new Saskatchewan Federated Indian College for example, we would just give them a grant. And it would just go into the building fund.

So some we do and some we do not.

Mr. McMorris: — I don't think I have anything else.

The Chair: — I've got Mr. Prebble on the speakers list as well, but if you have anything else, Mr. McMorris?

Mr. McMorris: — No, I think I've pretty much . . .

The Chair: — Very polite bunch in this committee.

Mr. Prebble: — Thanks very much, Mr. Chair. I wanted to ask questions in a couple of areas. One is to get an update with respect to the role that SGI is playing as it pertains to brain injury, and sort of support for work on rehabilitation of brain injury. So that would be my first question, sort of what sort of expenditures are they looking at there now and whether we can get any feedback on results achieved to date.

Mr. Cameron: — Mr. Chairman, I'll try and answer that question. Acquired brain injury, our commitment to funding starting in 1999 was for another five years for the acquired brain injury, an additional 14.2 million. I don't know if that answers it.

Mr. Prebble: — No, that's a good start. And what organizations receive that money across the province?

Mr. Cameron: — SGI funds the . . . or grants that money to Saskatchewan Health and there's over 30 stakeholder agencies that provide services to people with these types of injuries, and that's distributed and administered by Health.

Mr. Prebble: — So the funding goes in a block to the Department of Health and then is handled from there by them?

Mr. Cameron: — That's correct, Mr. Chairman.

Mr. Prebble: — And do we have any information on the success of that investment to date? Is there any way of monitoring that? It's not easy to monitor but . . .

Mr. Cameron: — Yes, there was — and I don't have it with me — there was a report done and forwarded by Sask Health as to the results of the program, Mr. Chairman. And that report is available as far as I know and could be distributed.

Mr. Prebble: — Mr. Chair, could I ask that that report be distributed to members of the committee?

The Chair: — Absolutely. We'll arrange for that if the officials from SGI could transmit that to the Clerk of the committee and from the Clerk of the committee it will be passed along to each of the members of the committee.

Mr. Prebble: — That would be excellent.

The Chair: — We'll handle it like that.

Mr. Prebble: — Thanks for that information. The other area that I wanted to touch on briefly was the graduated licence program that the legislature adopted a Bill on in 1999. I wonder if we could get, Mr. Chair, I wonder if we could get an update on where we're at now in terms of actually implementing a graduated licence program in the province.

I mean we don't have one yet but there's planning that has been done and some provisions that have been made, and I'm wondering if we could get an update from our officials in terms of where we're at in that process right now.

The Chair: — And again that falls outside of the reporting years, but general questions as to activities outside of the reporting years are certainly within the terms of reference of this committee. So with that, Mr. Fogg.

Mr. Fogg: — Yes, Mr. Chairman. That's right, the Bill was passed a couple of years ago. And graduated licensing usually involves a number of factors. One of them is zero blood alcohol for new drivers, and that part of it has been implemented.

There are perhaps more controversial portions to graduated

licensing. And usually it's . . . to be effective, or it has been effective, there has to be . . . there should be some restriction on nighttime driving and possibly limiting the number of passengers for new drivers. This is, as I say, not without controversy. So before we could proceed with that or are intending to proceed with it, if we do proceed with it, there has to be public hearings. And my understanding is there's a committee have been put in place to begin public hearings in the next few months. So it should be beginning in, I think, March or April. April, I believe.

Mr. Prebble: — So there'll be formal . . . Mr. Chair, will there be formal public hearings then held throughout the province that are advertised, or what will . . .

Mr. Fogg: — That's my understanding. It will not be run by SGI. It'll, I believe, be run by Crown Investments Corporation. But that's my understanding as how it will work. There will be formal public hearings in getting the public input.

Mr. Prebble: — Can I just ask what provinces other than Saskatchewan don't have right now a restriction on nighttime driving in Canada?

Mr. Fogg: — There are not very many that wouldn't. Manitoba is one that doesn't. Manitoba had public hearings and did not restrict nighttime driving. Alberta, I'm sure, does restrict nighttime driving.

The feeling is it's a major factor in reducing the number of accidents. As I said before, the young people make up 10 per cent of the drivers but cost over 20 per cent of the collisions. Yet between midnight and 5 a.m. these 10 per cent of the drivers are involved in almost 60 per cent of the collisions. So during that period of time at night, this is a major problem.

And so there's only, as I say, 10 per cent of the drivers, yet almost 40 per cent of the deaths are young people driving at night.

Mr. Prebble: — Mr. Chair, I'm wondering if we could get — and I realize our officials may not be able to provide this today — but I would be interested in receiving a kind of a look across Canada at where we're at province by province on this and how we compare to other provinces because, speaking personally, representing my constituents in Saskatoon Greystone, I'd like to see this kind of a provision in place in the province.

But I'd like to draw on the benefit of the experience in other provinces and I'd be interested in members of the committee being provided with a kind of a cross-Canada look at where we're sitting on this in comparison with other provinces; you know, which provinces have instituted restrictions on the number of passengers that a new driver can have accompany in the car with them, which provinces have set restrictions on nighttime driving.

And as I understand it now, the legislation is in place for the province to do this if we chose to but, at this point, I take it we're still studying the matter.

Mr. Fogg: — Mr. Chairman, I actually have got some of that information.

Mr. Prebble: — If you could present it, if it's possible. If it's convenient for you, Mr. Fogg, and if it's possible, Mr. Chair, that would be great to have it presented now.

Mr. Fogg: — I've got some information here. At this point in time, Manitoba, Northwest Territories, do not have it. Manitoba has started implementation in October of 2001.

The evaluations of the programs in Ontario and New Brunswick and Nova Scotia, which have had it for some time, they concluded that they could reduce the over-involvement of new drivers and collision by 10 to 30 per cent and that this probationary driver, restricted driving, is supported by Canada Safety Council, Saskatchewan association of chief of police, law enforcement, and community support. A lot of support for it.

Where it becomes a bit of a problem is in rural Saskatchewan where they don't have any other way of travelling at night. Whereas, in Regina or Saskatoon, you can take a cab or a bus, you can't do that in rural Saskatchewan, which is why it's important that this public hearing process, particularly, take place throughout the rural areas. But it will save lives, Mr. Chairman.

Mr. Prebble: — Can I ask if we could ask SGI to examine what rural portions of other parts of Canada that have this program do? You know, what does rural New Brunswick do? What does rural Ontario do to make this effective in their provinces? Because we're not the only province with a large rural . . .

The Chair: — Given that this initiative is unfolding and, you know, perhaps what Mr. Fogg can do is take note of the concerns raised by the member and respond in . . .

Mr. Prebble: — That would be fine, Mr. Chair. That would be fine.

The Chair: — Any further questions?

Mr. Prebble: — Well I guess what I'd like to communicate is that I would like to see this initiative accelerated. Let's look at what's happening in other parts of Canada. Let's particularly look at what is happening in other parts of rural Canada. Let's . . .

The Chair: — Again, I think we're veering off into matters that are more properly in the realm of politics and perhaps maybe better suited to a letter from yourself to the respective minister.

Mr. Prebble: — Well if I could be germane to the topic at hand. In the year 2000, I wonder if we could have a report on the number of youth between 16 and 18 who were injured or killed in a traffic accident in the province of Saskatchewan and a comparison of that with, say, that age group in other provinces in Canada.

The Chair: — That certainly is germane to the topic of discussion. And perhaps . . .

Mr. Fogg: — We'll get that, Mr. Chairman.

The Chair: — Okay, and so we'll be . . . again this will be communicated in writing through the Clerk to the members.

Mr. Prebble: — That would be just fine.

The Chair: — Of this community. Community — hey, how do we go? The committee.

Mr. Prebble: — I just want to thank our officials for the work they're doing on this and the information that's being gathered.

The Chair: — Okay. Further along on the speakers list in our Crown committee community. Yes, Mr. McMorris.

Mr. McMorris: — Thank you, Mr. Chair. I just wanted to ask a couple of more questions regarding that graduated licensing system as opposed to the probationary licensing system that's in place right now in the province. And I'm not going to get into I guess the statistics as far as have the youth accidents or collisions dropped since the probationary licence system was implemented. But probably more, I guess it's more of a philosophical discussion as to why SGI is looking at a graduated licence system over the probationary licence system. In other words, did the probationary licence system not do what SGI was looking for?

I mean from any . . . When you look at the two programs, of course, graduated licence system punishes everyone regardless of whether they've had a problem or not whereas probationary is, you know . . . intervenes as soon as there is any problems. And knowing again, speaking from rural Saskatchewan and dealing in that area, there's a lot of youth that drive at nighttime and don't have any problem. Sometimes you wonder whether the problems are a function of age or experience of driving at night.

And I'd be interested to know in the areas that . . . provinces that implement graduated licensing that perhaps their collisions in 16 to 18 have reduced because they never drive at night — they should reduce — as compared to what happens to the 18- to 20-year-olds that first experience nighttime driving and also alcohol, legally.

Mr. Fogg: — In 1996 the probationary program was introduced and it was an all-party committee of the legislature and it was ahead of its time, but it really has not worked. It does not work as well as graduated licensing.

And, you know, you may very well be right, but when you have got situations where you've got 10 per cent of the population is youth and they're involved in 40 per cent of the fatal collisions, like, something has to be done — and that 40 per cent of the fatal collisions is at night. So you may be right.

I'm not suggesting that there's reasons for this; it's just usually inexperience and the answer seems . . . what seems to be effective across Canada has been graduated licensing. And I really can't add any more than that. It is effective.

Mr. McMorris: — I guess anything that restricts the danger zones is going to be effective. I mean not driving at all — for anybody — at night, or driving in inclement conditions, or anything else, I mean you can take that argument to the extreme

for sure. But I do realize that inexperience is a big, big factor at night.

And I guess one of the other issues that comes into play is when a lot of drivers in Saskatchewan, especially through the wintertime, are learning to drive they . . . When is most of the driving going to be done? I mean they are busy at school, whatever, and most of the driving is done at night to hockey games and back home from hockey games. And that's going to be a huge, huge inconvenience in rural Saskatchewan to eliminate 17-year-olds driving to whatever function they may be going to.

Mr. Fogg: — I agree with you, Mr. Chairman, and I guess that's why we have to have the public hearings. You've got to weigh one against the other and I guess we'll see what comes out of it.

The Chair: — Further on the speakers list?

Mr. Wall: — Thank you, Mr. Chairman. I wonder if I could talk a little bit, or discuss a little bit with the CEO about the investment portfolio that SGI really — and obviously other general insurers — rely on based on the testimony and the information you provided . . . or the officials provided to us today.

In light of that, what is the . . . what would SGI — I won't ask officials to comment on the insurance industry in general and your competitors — but what would SGI general look for in terms of a return on an investment it may be considering for its portfolio? What targets are in place?

Mr. Fogg: — Mr. Chairman, are you meaning any type of investment — a bond — or are you meaning, like, investment in another insurance company? Because . . .

Mr. Wall: — Let's say, let's talk about a potential equity investment. Well let me just ask this. You outlined some of the restrictions. I beg your pardon, the officials outlined some of the restrictions that are in place in terms of what it is you can invest in as an insurance company. And I guess that's the area that I'm interested in now, Mr. Chairman.

So perhaps Mr. Fogg can highlight for us in that portfolio — that investment portfolio — I guess it would be bonds and whatever instruments you're allowed . . . that they're allowed to purchase, what would be the target rate of return.

Mr. Fogg: — Mr. Chairman, I'll try and do the weighting of the investment portfolio for us. We try to have approximately 15 per cent Canadian equities, 5 per cent in US (United States) equities, 5 per cent in non-North American equities, 65 per cent in bonds, 10 per cent in short-term investments. That would be sort of . . . in that vicinity.

Now what we . . . We have three investment managers, three investment managers including Greystone and two others. And what we do is we try to set targets for them. We would want for Canadian equities, we would want them to earn 110 per cent of the TSE (Toronto Stock Exchange) 300. We want them to be 10 per cent better than the TSE on average. Otherwise we could have just bought index and there would have been no value

added.

Same as in the US is 110 per cent of the Standard and Poor's 500; 105 per cent of the Scotia Capital Universe Bond Index; 100 per cent of the Russell Canadian Property Index; and 100 per cent of the Scotia Capital Mortgage Index.

So we would try and set out targets for our investment managers and then they come back and report if they've exceeded the target or have met the target.

I think generally speaking, in the year 2000 certainly, they in all cases met the target. In all cases they would have met or exceeded the target.

Mr. Wall: — In all three reporting years?

Mr. Fogg: — In the year 2000. I can check for you, but certainly in the year 2000 they did. I just . . .

Mr. Wall: — Who are the three managers?

Mr. Fogg: — Greystone does by far and away the bulk of it. They would do 70 per cent of it. Then there's TAL and Lincluden.

Mr. Wall: — Thank you, Mr. Chairman. The other question that I would ask about these three years in the financial statements would be for just the president's . . . or the CEO's comments on 1998, 1999, 2000 from a financial perspective, is are the officials happy with the performance of the corporation?

Mr. Fogg: — On the SGI CANADA side our target is to have a return on equity 5 per cent higher than the pre-tax return of the insurance industry, P and C (property and casualty) insurance industry. And over the past 10 years the average rate of return, pre-tax rate of return by the insurance industry is about 15 per cent. So what we try to come in at is a rate of return about 20 per cent, and we had met that in every year but in 1995 which was a bad storm year.

Mr. Wall: — And that's based — I beg your pardon, Mr. Chairman — that's based on the return, the return on equity?

Mr. Fogg: — That's right.

Mr. Wall: — And so for the Crown corporation how . . . could you please — I beg your pardon — would officials outline how they calculate a return on equity as a Crown corporation specifically?

Mr. Dobie: — Mr. Chairman, that's calculated by taking the equity that we have in the corporation divided by the profit.

Mr. Fogg: — Retained earning and capital divided by profits.

Mr. Wall: — I wonder if the CEO, Mr. Chairman, would comment a little bit about the industry in general and what future role SGI general would play in that. Obviously, I think officials are bullish on the ability of their company and their products to compete across Canada. They seem to be voting with their feet in that regard. They're acting in terms of purchasing other insurers.

So I wonder if in other industries . . . in the financial industry certainly we see a lot of contraction, lots of mergers, companies getting bigger, joint ventures between previous competitors. Where is the insurance industry at in that regard in our country, and in fact in North America?

Mr. Fogg: — You compare the P and C business to the life business for example, there's maybe eight life insurance companies in Canada. There's 200 P and C companies across — maybe more than that, some very specialized, some very large.

But, Mr. Chairman, the same thing is happening in that industry. There's consolidations, contraction, bigger companies. Usually most . . . virtually all of the insurers in Canada are either European owned, American owned, or they're co-operatives, co-op life or co-op insurance or mutuals. There's not many real Canadian owned — in fact, very few Canadian owned P and C companies, private sector P and C companies.

Mr. Wall: — Mr. Chairman, there's certainly different things corporations can do, Crowns or otherwise, to change their structure, to expand, to compete, or to perhaps strengthen a position in their own jurisdiction. Certainly one of them, one option is acquisition; the other is just outright expansion. Those two both have been pursued through the subsidiary.

Now, Mr. Chairman, I wonder if the officials would comment on whether . . . on what, if they could ever see — this is too speculative but I guess, generally speaking — about the potential for joint ventures in the industry involving SGI general; if there was any synergy out there or any particular advantage for . . .

Mr. Fogg: — There isn't a lot. And we looked at trying to do something when Crown Life was in place, because there's a belief that if you buy all of your insurance, whether it's life and P and C from one organization, you're more likely to stay with that organization.

And we tried to do some sickness and accident insurance, out-of-province medical insurance, and it just . . . sometimes the corporate cultures are just too different.

But with ICPEI, partly a joint venture because we own 75 per cent and our partners own 25 per cent out there, and yes, we would look for those.

And clearly if you ever want to write business in the province of Alberta, we're going to have to have a partner so that we do not own more than half the company or else we'll not be allowed to write there.

Mr. Wall: — Mr. Chairman, I should perhaps ask you if the contemplation, I understand that's what you said that's all it is, but the contemplation of some sort of an arrangement with Crown Life, would that have been in the reporting years that we're dealing with today at the committee?

Mr. Fogg: — I can't . . . I don't . . . probably was, Mr. Chairman.

Mr. Wall: — Was the intention to contemplate some sort of . . .

You know, I guess the classic joint venture is when both parties give up some equity to sort of build this partnership. I think the term joint venture has become a broader term. It means different things now.

What sort of . . . what would have been, even though it was very contemplative at the time understandably, what was being considered there?

Mr. Fogg: — We really had never got into that. What we wanted to do was, first of all, help Crown Life. They didn't have a big presence in Saskatchewan as far as selling a product. And we wanted to help our brokers have additional products. And that when somebody needed insurance they could go to one spot in the community and buy it from that one person, and hopefully would buy our product as well as Crown Life's.

But that's as far as we got. And there became some pricing issues with the product and it just wasn't worth it for either us or our brokers and so it never materialized.

Mr. Wall: — In the three years under review currently, Mr. Chairman, I guess what I'm hearing then is that just as the CEO and the team at, the top team at SGI were open to pursuing structural changes or I guess I should say just acquiring other companies and competing in other places, so too were they at least open to the idea that some other structural change might play . . . might be a benefit to SGI general — to the general side of the insurance business — and to its dealers and agents.

And then, I mean once . . . should that have happened, I mean it's not the final . . . it's certainly not the final decision of the CEO either and it's not . . . would be your final decision either to acquire another company. Sorry, through the Chair. That would be correct.

Mr. Fogg: — For us to acquire another company, does it . . . no, it would go through the board and then it goes to, I believe it's to CIC. And approved by our board it would have to go to CIC, they would have to have a look at it, and we would need a cabinet decision before we could acquire another company.

Mr. Wall: — I take it that Mr. Fogg was the CEO of SGI when the Channel Lake inquiry was being made by this committee. I'm assuming that was the case . . . (inaudible) . . .

Mr. Fogg: — '98. Then I would, yes, I would.

Mr. Wall: — Right. I wonder if Mr. Fogg would inform the committee whether or not, or what . . . the nature of any communications that he had with Crown Investments Corporation when the Channel Lake report was filed and approved and adopted by this committee as per directions from the report and this committee.

Mr. Fogg: — The recommendations that I believe came from the committee, CIC instructed us to follow certain directions and they, based on what the committee had recommended, they directed us to adhere to certain requirements. And we do.

Mr. Wall: — Mr. Chairman, this is going to perhaps result in Mr. Fogg repeating himself in the answer he just gave, but just indulge me if you will.

There were several recommendations that came out of the committee and that Crown presidents were instructed to follow when making out-of-province investments and investments outside their core activities. We've heard testimony here at this committee from some Crown presidents that they don't recall, frankly, any special communication from CIC or the government that they should be doing this.

I understand what you've just said, and I certainly accept that at face value, and so would just once again ask you to assure the members of the committee that the deals in Ontario and also in Prince Edward Island followed each and every single recommendation that was made by the Crown Corporations Committee as regards Channel Lake.

Mr. Fogg: — Mr. Chairman, I can't recall all of the recommendations from Channel Lake, but certainly if we're aware of anything that came out or any direction from CIC, we would have followed everything that we were instructed to do and we would have done it.

Mr. Wall: — Thank you. Mr. Chairman, I think that we would like to move into some no-fault questions if we can, and sort of reserve the right on it. Is there someone . . . is there anything else?

The Chair: — Well the questions that were undertaken earlier on, do you have any further information as to . . .

Mr. Fogg: — We're getting some of it, Mr. Chairman. We've got one, I think. The question was asked about vehicles impoundment, how many vehicles were impounded. And I've got them now.

In 1998 there were 2,220; 1999 there were 2,489; and the year 2000 there was 2,503.

And what we're getting . . . we'll be getting a lot of the other information later this afternoon, Mr. Chairman. We're on its way; we're preparing it.

The Chair: — I guess if you could just update the committee as that information becomes available. And with that I'll turn it over to Mr. Wall.

Mr. Wall: — Well thank you, Mr. Chairman.

The no-fault insurance issue or the personal injury protection plan I'm sure has taken up a lot of the resources and the time of the officials here and those who are still back at the head office in terms of setting it up and getting it operational and trying to address concerns in dealing with various cases.

I just want to say at the outset though, in case I forget to say it later, that our . . . as the critic, Crown corporations critic, our office fields and deals with a number of no-fault inquiries and where people have a concern and they come to us. And every MLA's office does, but we may get a higher number of them just because of the critic duties we have.

And there's a . . . the staff that are at SGI, while we don't always obviously get the answers that we're hoping to get on behalf of people, our constituents or anyone else, the staff at

SGI are extremely helpful. In particular Ms. Gaetz is very helpful and I'd like to get her . . . I'd like to get that, frankly, on the record, because it's very . . . it's just that helpful to our office, the kind of support we get there. So I just would like to say that at the outset.

The personal injury protection program was brought into the province of Saskatchewan and whether this was the reason or not . . . Ostensibly it was sold to the people of the province, I think, by the, more so by the government, or perhaps the political arm of the government than by the corporation, but certainly backed up by the corporation under the guise that this would lead to rate stability and, more specifically, that it would avoid rate increases. Many are arguing today that we have seen significant rate increases since no-fault came about. Some say, you know, depending on how you look at the numbers, some say 40 per cent, some say less than that.

And I would just ask if officials could please comment on that.

Mr. Fogg: — I think I said at the outset that the rate increases . . . there were . . . no-fault or PIPP (personal injury protection plan) was brought in January 1, 1995. And at that time we had a . . . at the beginning of 1995, at that point we had a major deficit in the corporation. We had . . . up until then I believe we had four years of rate freezes, so there was no increase for . . . from '94 to . . . '94, '95, '96, and '97, there was zero rate increases, which the minister at the time announced there would be no rate increases for four years.

But then, we brought in, as I say, a 5 per cent increase in '98, 2 per cent in '99, and 2 per cent in the year 2000, and a \$200 change in the deductible. Now the alternative to that would have been 9 per cent rate increase in '95, 2 per cent and 2 per cent. That was one of the options. So you could argue that in that period of time from 1993 to date, there's been rate increases totalling 13 per cent. I mean that's a fact. I'm not . . . and to say it was 40 per cent, I don't know where anybody would get that figure from.

Mr. Wall: — Mr. Chairman, certainly there have been . . . if you, if you talk to the average person out there who is . . . and I'm not talking about accident victims and people that may have a bone to pick with PIPP or no-fault, just generally people who go and register their plates, Mr. Chairman, I think that they would consider the rate increases since advent of PIPP to be something different than what they heard their government and the corporation say.

I understand that, certainly, there would have been some, you know, hangover from the old system per se, you know, if I can put it that way. But, certainly, the corporation would have known about the old tort claims on December 31, '94, just as they would know them on January 1, '95. And I think that's where people have a difficulty; those who have memories and go back to the fact that there was this promise of stable rates and then what they've seen since is increasing rates. You know, we can argue about how much, including a review request in the reporting years. That's a difficulty people have and so you start off from a bit of a hole, I think, when you're trying to promote PIPP and no-fault for the reasons that it's going to stabilize rates.

Mr. Fogg: — Mr. Chairman, I guess we were there then and what the minister said at the time, there would be a rate freeze for three years. That's what he said. And there was be some debate over — what was it? — three years not counting this year or that year, so we then froze the rates for four years. Then we put through these rate increases. And we have to put through rate increases. And in spite of that, in spite of that, under any, if you look at any sort of criteria, we have among the lowest rates in Canada it would be between Manitoba and Saskatchewan.

And one of the reasons we do have the lowest rates in Canada is certainly because of the personal injury protection plan. That's why Manitoba has low rates. I mean, we work with it every day.

The tort system costs a lot of money — it really does — compared to the PIPP system. And the PIPP system . . . And I know there's . . . I'm not suggesting there aren't complaints and I'm not suggesting we're perfect at this, but it is a far fairer system than that tort system will ever be, in my opinion.

I guess you've heard me say that before, Mr. Chairman.

Mr. Wall: — Thank you, Mr. Chairman. Notwithstanding the comparative analysis with other provinces, which is important, there is a distinct impression here that was left with people that moving to this system would avoid rate hikes in the future, rate hikes that would be necessary should the tort system be in place. That's the message that I think is loud and clear.

And so, the question that flows from that then is that if you can then have a system, as we supposedly will here in the province, that offers both and both of them . . . and neither will have a . . . both of them will have the same premium, the same price for both products, how can anyone consider that the argument that we've had, that we've heard from SGI and the government over the last number of years, be anything but something other than what reality is?

The Chair: — I would remind you to be very careful in your choice of words in the questions that you put to the officials. That said, fire away.

Mr. Fogg: — What the choice indicates is that people will have a choice between the personal injury protection plan with potential amendments to it because we still have to deal with the review by the independent committee, as compared to what is known out there as the premier option, the tort system. So the people will have a choice between we'll call amended PIPP and what is known as the premier option. That is the choice people will be given.

And initially it will be offered at the same price until enough data is gathered to see if one should be priced at a different rate than the other. If it is determined that one should be priced at a different rate than the other, we will take the information to the Saskatchewan Rate Review Panel. We'll give them the information and ask for different rates. That is the proposal.

Mr. Wall: — Thank you, Mr. Chairman.

The Chair: — There's another person on the speakers list so if that's the end of that particular string then we'll move to the . . .

Mr. Yates: — Thank you, Mr. Chair. My questions are following the same stream of thought anyway, Mr. Chair. I would ask the officials if they have any data that would back up or compare rate hikes in other jurisdictions using the tort system over the last number of years in comparison to rate hikes in Saskatchewan/Manitoba where the PIPP system is in place?

Mr. Fogg: — Mr. Chairman, I can certainly indicate that we have lower rates. I mean, you can look at any independent study whether it's the Runzheimer study and there was a study done by the consumers association in BC which compared rates in Vancouver, Calgary, Toronto, and Regina, and Winnipeg. And they looked at 41 cases, and I think there were two cases where Alberta would have lower rates than Saskatchewan. The other 39 we would have lower rates.

But if you look at rate increases in other provinces, and I mean we run an automobile company in Ontario and we run one in PEI, and in all those provinces, and in Alberta, all of those are looking at double digit rate increases. I mean they just have to be. So we could bring you back, but they are just . . . they are much higher.

Mr. Yates: — I think it would be very handy for us to actually have some of that data of some of those comparisons and some of these studies to look at.

My next follow up question has to do with the whole issue of the introduction of the choice. And the issue is such that we are going to do a comparison of what those costs are once the data starts to come in. Do you have any idea how long before there would be sufficient data to make the determination? Normally how much data is sufficient in an insurance industry to make a determination? Is it one year, two years, three years, six months?

Mr. Fogg: — That's a good . . .

Mr. Yates: — Are there any industry norms, I guess?

Mr. Fogg: — That's a good question because it depends how many people opt for both systems. If it's 40/60 or 50/50 or even 70/30, you maybe get the data in one year, if possible, two years — possibly even in one year. But if it's 95/5, it's going to take a long time to get the data. It depends how it splits, what choice people make.

Mr. Yates: — Thank you very much, Mr. Chair.

The Chair: — If I could ask one quick question. I don't want to get too rusty on asking questions here. But the information that will be used to make that assessment, that will all be open to the auditor and it'll be part of the normal reporting processes which KPMG . . . in the reporting years the auditor from . . . the appointed auditor will have access and it's part of the normal reporting processes that were part of the reporting years that we're focusing on?

Mr. Fogg: — Certainly, Mr. Chairman, they'll be able to look at the costs and how they were allocated. And when we go before the Saskatchewan Rate Review Panel, they'll want to see all that data so, yes, the Provincial Auditor, our own auditor, everybody will see it. It'll be transparent as we can make it.

Mr. Wall: — Thank you, Mr. Chairman. The Kroll Lindquist study, which would have come out during the reporting periods, and it was presented as a support for the premier option in terms of the due diligence and some financial information, and I think the authors of Kroll Lindquist said clearly that they didn't have all of the information they needed, or lacked some important information they need to draw conclusive information primarily because they couldn't get it from SGI. I think that's what they said.

Be that as it may. What is your confidence in the Kroll Lindquist — I beg your pardon — what's Mr. Fogg's confidence in the Kroll Lindquist study on the premier option?

Mr. Fogg: — That study and as well as the premier option, it is based on an option that . . . on the system that exists in British Columbia today. And what they've tried — and I'm not being critical of it in any way — what they've tried to do is say that the systems would cost the same if you did certain things to the tort system. And one of them I think was a \$5,000 deductible on pain and suffering. I think they . . . I think what they wanted to do was — the PIPP system puts \$15 million into the health care system, as somebody mentioned today on acquired brain and those type of things — they wanted to take that back out and say that should be paid by the Department of Health.

They put caps on prejudgment interest. They had a number of things to try to bring, clearly, a more expensive tort system down to argue that it would be the same as PIPP. And I guess that's all I can say. I guess we'll have to see if that would in fact work.

Mr. Wall: — Let me thank you. Mr. Chairman, would it be fair to say that the CEO and the senior officials at SGI had no . . . had little confidence that the . . . that you could make that conclusion that they made safely; that you could implement the premier option at about a \$2 million savings, I think, at that \$5,000 cap on, or deductible on pain and suffering?

Mr. Fogg: — There's a couple of things in there I don't think — I'm just going from memory here but one of them was to take the money out of the health care system, and I just don't think that's . . . you know, I couldn't recommend we take money out of the health care system. And the second one, I believe, was charging a \$250 surcharge to anybody — additional surcharge — to anybody who had an accident. I think that was part of it.

And then that, combined with the \$5,000 deductible on pain and suffering, all of those things . . . and I just forget them . . . they argue — and maybe they're right because we don't know — that maybe that would bring the cost of the premier option down at least initially, down to what PIPP costs. Deductibles, unless you're going to have a deductible that's tied to inflation and you inflate it, eventually will disappear.

But, maybe, maybe, and I guess that's what we have to find out, maybe you could do it for the same costs initially as the PIPP system. But, as I say, we're not going, I don't think we're . . . we're not going to take the money out of the health care system and that deductible will be gone. You'll go through the deductible, it'll be eaten up unless you're going to inflate it every year. And there's problems with that too.

Mr. Wall: — Thank you. Mr. Chairman, I wonder if Mr. Fogg would share with members of the committee how long SGI or Sask Auto — the Auto Fund, sorry, has been putting money directly into the health care system?

Mr. Fogg: — We put money into . . . well, there's always been money going to the health care system as long as I've been there. Some of it, if someone was . . . even under tort prior to 1995 some money went into the health care system. It was based on the number of injured people. I think about 5 million of the 15 million was done under the old tort system.

Mr. Wall: — Mr. Chairman, was it 5 million? I'm sorry, Mr. Fogg said 5 million?

Mr. Fogg: — Approximately \$5 million under tort.

Mr. Wall: — And currently \$15 million . . .

Mr. Fogg: — Approximately \$15 million under PIPP.

Mr. Wall: — Under PIPP. And I know it's not under the year in review, but it's been raised by Mr. Fogg. So the new system, the dual system will continue that \$15 million contribution, would that be correct?

Mr. Cameron: — Perhaps I could answer, Mr. Chairman. The \$5 million that we currently give to Health now, part of the 15 million is still calculated based on the number of injured people going through the system, and the commitment to the ABI (acquired brain injury) program and those other programs is for five years. So there's no . . . we're not looking at changing that at least in the short term. The commitment is there.

Mr. Wall: — Thank you. Mr. Chairman, I'd like to ask some questions, if I can, on the impact of the no-fault, or of PIPP or no-fault insurance on the financial statements of the Auto Fund, and specifically on the concern that has been raised by some that somehow we present this opportunity — perhaps the auditor may wish to comment on this as well — and somehow . . .

The Chair: — If we could get some order on this point, and so how about we add you to the speakers list?

Mr. Wall: — And somehow that the corporation may be exposing itself to the potential for unfunded liabilities because of the nature of PIPP, in terms of those who are permanently injured. I'm honestly just looking for some general comment on that, if it's a concern of the corporation, if it was at the outset of no-fault through the reporting years, and if the auditor has a comment, I'd welcome that too.

Mr. Fogg: — Mr. Chairman, a lot of that work is determined by professional actuaries. PIPP was new. What they did when they first came in, they looked at other no-fault systems: Manitoba, Quebec, and a little in Ontario to some degree. Based on that, they assisted us in establishing the proper reserves to make sure that they're properly funded.

As far as we know it still looks that they were reasonably accurate in their assessments. Obviously we believe we're properly funded; the actuary says we're properly funded; our

external auditor would agree and I think the Provincial Auditor would comment if he was concerned.

Mr. Ahmad: — No, Mr. Chairman, we looked at the financial statement and the cost of claims and claim settlement trends and we are satisfied that the liability booked is appropriate.

Mr. Wall: — Thank you. Thank you, Mr. Chairman, and to all of the officials. I'm going to change streams here now. Does Ms. Atkinson have a question?

The Chair: — Yes, this is on the topic, so Ms. Atkinson.

Ms. Atkinson: — I just want to go back to the questions around the acquired brain injury program that's funded by SGI. Is it not true that this program was . . . funding was put in place when Graham Taylor was minister responsible for SGI in the 1980s? At the beginning of the program SGI started providing grants to acquired brain injury programs in Saskatchewan in I believe 1988. You don't know that?

Mr. Fogg: — I'm not aware of that, Mr. Chairman.

Ms. Atkinson: — Well I've been around for a long time and I know a little bit about this. I just would not want information left in the public record that this funding for acquired brain injury programs came out of the PIPP. Because it didn't. Funding for brain injury programs began in the 1980s well before, or long before PIPP.

And there was a program that was set up I believe in Saskatoon that was run out of Lorne Hazelton School, where young men who had acquired brain injuries began to receive services as a result of lobbying that was done by their family to I believe the minister who was responsible for SGI at the time. And that was Mr. Taylor from the Indian Head-Wolseley constituency.

So I just wanted to put that on the record. Because I think it's important to know a little bit about history.

The second thing I wanted to know: there was some concern at the University of Saskatchewan that while PIPP review was going on that some medical research dollars would not necessarily be flowing to the College of Medicine for research. And I believe that there was money that was coming from SGI for medical research at the university and the Department of Health. And I just wondered, has that been rectified, given that the government has now made a decision on how they're going to proceed with the dual option program?

Mr. Fogg: — We had agreed to make a contribution along with the Department of Health . . . (inaudible) . . . We had agreed with the Department of Health to go along with a three-year program for a million dollars. We put in a million; the Department of Health put in a million. It was a three-year program. The three years ended, as did that million-dollar contribution.

That was for a . . . (inaudible interjection) . . . Neuro-trauma, yes. Go ahead, Earl.

Mr. Cameron: — That was a neuro-trauma initiative. And to the best of my knowledge, there is no additional funding being

contemplated at this point, Mr. Chair.

Ms. Atkinson: — Just as a member of the legislature familiar with some of the medical research programs that are going on at the University of Saskatchewan — particularly around trauma, head injuries, so on — there are some very important people who have been attracted and recruited to the province to work on medical research and also to provide training for medical students.

A million dollars over a three-year period is important in terms of providing support for those important medical research initiatives. And also, they're good jobs. They're good-paying jobs.

And I think that given some of the work that's begun at the university, that I would really encourage SGI to think further about continuing to provide funding to the university for these kinds of research initiatives that have to do with trauma that is associated from accidents.

And I just wanted to put that on the public record.

Mr. Wall: — Thank you, Mr. Chairman. And actually, I'd just like to say thank you to Ms. Atkinson. That was a perception that I had had, and I'm not going to say the Crown corporation gave me that perception because I don't think they did — I'm not sure where it came from, frankly — was that we had no . . . that this funding for acquired brain injury, this particular initiative, had come as a result of PIPP. So I had thought that as well and I appreciate that clarification. I should probably have known.

I have a couple of specific questions, I guess, relating to the years under review. Mr. Chairman, through you to the officials, what is the average cost per person that SGI paid in rehabilitation amounts to FIT for Active Living in Saskatoon, Star Rehab, Wascana Rehab for the years under review?

Mr. Fogg: — Mr. Chairman, we'll get the list from you and we'll get you what we paid each of these rehab companies?

Mr. Wall: — Yes.

Mr. Fogg: — I'll get it for you.

Mr. Wall: — Okay. Thank you.

The Chair: — And then it'll be transmitted from the Clerk through the members of the committee.

Mr. Wall: — There will be a few including . . . I guess you could add to that FIT for Active Living in Saskatoon — sorry, that's already there.

I guess the question would be . . . There's two different questions there, Mr. Chairman. One for the officials, one — and they may take notice of both — one is rehabilitation amounts and the other is funding, if there is any other kind of funding that would flow from SGI to those agencies, those centres.

Mr. Fogg: — When FIT in Saskatoon started, we did give them some money, start-up costs. In fact, I might even have that

somewhere, Mr. Chairman.

Sorry, Mr. Chairman, I think I've got something on FIT. The capital expenditures for the years under review: there was nothing in 2000; \$38,429 in 1999 and \$192,353 in 1998. That was over and above for injured persons. Over and above what will be paid for injured persons. That was sort of for capital to get them started in Saskatoon.

Mr. Wall: — And just generally, Mr. Chairman, would officials know the nature of how those proceeds were used?

Mr. Cameron: — Yes, initially — and I wasn't there at the start of this — but they were . . . Wascana was already set up here in Regina and they needed that to have equipment and facilities developed in the hospital there. And that money was spent on that.

And just to clarify that, that was capital money not the cost per patient that is, I think, your second question, Mr. Chairman.

Mr. Wall: — Thank you. Mr. Chairman, would it be normal practice for the auto insurance company or companies in no-fault jurisdictions to provide capital funding for the rehab centres?

Mr. Fogg: — I'm not sure, Mr. Chairman. At the time, the only one that we were aware of that could do this type of work was Wascana in Regina. We wanted to get this kind of treatment in place. We needed two tertiary centres so we had to provide funding for Saskatoon.

And, Mr. Chairman, I do have an answer for your question about how much we have paid to FIT overall, for the year . . . This is for assessment and treatment. In the year 2000 it was 1.8 million; 1999, it was again 1.8 million; and in 1998, it was very close to \$2 million.

Mr. Wall: — Total?

Mr. Fogg: — Per year. That was \$2 million in 1998. That was per patient treatment and assessment. And I've got the same for Wascana. For year 2000, it was 1.8 million; in 1999, it was 1.6 million; and in 1998, it was 1.6 million.

Mr. Wall: — Thank you, Mr. Chairman, and Mr. Fogg. The people that staff the centres that we're discussing, especially those that would be dealing with — and we can phrase it in terms of the years under review — but those who would be dealing directly with no-fault or accident victims who are currently under PIPP, those front-line staff, what sort of relationship, if any, would they have with adjusters at SGI working on those cases?

Mr. Cameron: — They would be providing information from the adjusters back and forth, medical reports, those sorts of normal relationships that . . . Mr. Chairman.

Mr. Wall: — Do officials feel that then and now, there is any potential at all for conflict between — given the fact that the centres who are providing the information and recommendations to adjusters to either continue, close, or amend files for accident victims — is there a potential there for

any sort of conflict that mightn't exist if the relationship was arm's-length, and perhaps if there were no capital grants to the centres at the least?

Mr. Fogg: — We finished with the capital grants so that wouldn't be a concern any more. I don't . . . there shouldn't be any conflict. I mean, when we . . . We do provide funding to the . . . to these organizations, but I mean their job is to rehabilitate people. We don't, as a corporation, have any medical expertise as such. They would give us reports on how they're progressing. And I don't believe there would be any . . . I don't know why there would be any conflict.

Mr. Wall: — Thank you, Mr. Chairman. And just a follow-up. Would the senior officials here, the team here, be aware in the reporting years, we can keep it to those years for example, of any situations where there may have been any appearance of a conflict between those two . . . between two parties such as an adjuster and the staff at these centres?

Mr. Fogg: — Between our . . . the conflict between our adjuster and the person . . .

Mr. Wall: — Not a conflict per se, but a situation where there would have been perhaps an allegation by an accident victim that the senior management at SGI felt might be warranted; that the adjuster was perhaps acting on information that wasn't complete; or rather that the adjuster was doing things based on a recommendation from the rehab centre staff that some could argue were not made; you know, that for — there are several examples where doctors disagree, but there was a conflict of interest per se or . . .

I'm not sure if that's the right term to use, but I think you know what I'm . . . Are you just simply aware of any improprieties in that regard, in these three reporting years?

Mr. Fogg: — Not aware of improprieties.

Clearly there's — conflict may not be the word — situations where the injured person, injured customer, does not agree with some of the medical information that comes from tertiary centres. And there may be some disagreement between the primary caregiver and the secondary or tertiary centres. Those things occur from time to time, yes.

Mr. Wall: — Mr. Chairman, to the officials. How many appeals in total were filed by claimants in the reporting years?

If you're having to get that information, I might add, there's a few follow-up questions, Mr. Chairman. I can throw them all out at once then if you want to get that information.

Mr. Fogg: — We'll get you the exact information Mr. Chairman, but it's about a couple of hundred over the five-year period.

Mr. Wall: — Mr. Chairman, even general numbers are, I think, good for a bit of a discussion here of this. The same sort of estimate, is it available for how many claimants were successful in the appeal?

Mr. Fogg: — There's a three-stage appeal process, Mr.

Chairman, presently. There's an internal appeal, there's mediation, and then there's the access to Court of Queen's Bench. So there's various . . . they go through those various steps.

Very few have gone to Court of Queen's Bench that I'm aware of.

Mr. Cameron: — That's correct. There's several internal . . . Or several, there's actually a large number of internal appeals where someone will say, no, I don't agree with that decision. Then less in mediation, and I don't have the exact numbers here, and then of course, Court of Queen's Bench. But we can provide those exact numbers per loss year.

Mr. Wall: — I appreciate . . . that would be appreciated Mr. Chairman. Have there been any that have gone to the court?

Mr. Cameron: — Yes, there's been several; I don't really know the exact number that went to the Court of Queen's Bench.

Mr. Wall: — And so, we're going to get a breakdown of all of that Mr. Chairman, I'm hearing then from officials? Okay, thank you.

How many claimants from 1998, since that's the year, the first year under review, would still be in the system, they'd still be receiving benefits to the present day?

Mr. Cameron: — I don't have that number. I can get it for you though.

Mr. Wall: — Okay. Maybe perhaps some of these will be even available tomorrow so . . .

Mr. Fogg: — We'll get them.

A Member: — They're all available.

Mr. Wall: — These are probably more along the same sort of line, Mr. Chair, but I'll just continue then and then we'll be able to get . . . dispatch them tomorrow relatively quickly, I guess.

How many claimants in total were re-educated in order to provide workplace skills after becoming disabled in an accident in the three reporting years?

Mr. Cameron: — We can get you that number also.

Mr. Wall: — Okay. One source of complaint that we hear a lot about in our office, maybe other MLAs do too, but it seems to be something that you'd probably get as a general . . . you'd be able to sort of see this common thread to a number of concerns, is . . . has to do with the massage treatment restrictions in the no-fault under the PIPP rules. I'm sure the officials have heard about it significantly as well.

As you move forward and consider these changes — and it was very interesting, Mr. Chairman, Mr. Fogg did highlight the fact, and it was, I think, good news that, you know, notwithstanding the fact that they're going to go ahead with a dual system and offer this tort system side by side . . . or the premier option side

by side with the PIPP — that the changes, some of the improvements recommended to PIPP by the independent review are also being . . . going to be adopted. I heard that.

Mr. Fogg: — That's what we're recommending. Of course it'll be up to the government and the legislature to determine that. But yes, I'm expecting that's what would occur.

Mr. Wall: — All of that to say this: the 10 treatments on the massage therapy which, believe it or not, is just an inordinately . . . just a . . . there's an inordinately high number of people concerned about that who are accident victims and who this has been prescribed for. Any changes planned for that?

Mr. Fogg: — Are any changes planned for massage? That's a . . .

Mr. Wall: — I guess specifically the question is, I mean, where does the . . . not just this particular thing which sounds strange in and of itself, but a lot of other policy statements that . . . or policies of PIPP, are they . . . they're not all seemingly stemming from the Act, from the automobile insurance Act necessarily.

And so who . . . where . . . you know, where is the . . . over these three years as these have presented themselves and now where . . . who's in a position to make a decision on these things?

Mr. Fogg: — On something like massage treatments or chiropractor treatments or any sort of medical treatments, those come from the medical community. I mean, it's not . . . SGI adjusters don't say free massage treatments and that's it. I mean I'm not an expert in this, but my understanding is while people feel better, it really doesn't cure very much; and people like to go for them but it isn't going to, in the long run, rehabilitate them like perhaps exercise or something else would.

So I don't think any system would just endlessly pay for massage treatments, if in the opinion of caregivers this is not going to rehabilitate the person. I think that's fair to say, Earl.

Mr. Cameron: — The opinion that we've been given from the medical community, and like I say, I'm not a doctor, is that long-term massage has no lasting effect. There is jurisdictions where disability insurers are paying massages at 500 treatments, and these people are not getting any better after 500, they may not be getting any better after 20.

Mr. Wall: — This probably may save a lot of correspondence from your correspondence unit because you can answer this on the record and we can provide the answer, hopefully, without prejudice to the people who have this question. But there is a broader question here and that is the limitation to however many treatments. And my understanding that this is unique in terms of there being a limit to treatments at all.

But where does the authority come, is the question to officials, Mr. Chairman? Where does the authority come for SGI to just set a limit on this particular treatment? Or then, I guess the thin edge of the wedge is, is this leading to other treatments potentially?

Mr. Cameron: — The authority is under the automobile insurance Act where it says that we have the ability to pay or not to pay for approved medical treatments, and in this case massage — I mean that's the most controversial one — saying that there is . . . The medical community isn't saying that you should be paying for X number of them. They're not necessarily saying that you should be paying for any in some cases.

So it's left at the adjuster's discretion — sorry — the personal injury representative's discretion on some of them. But mostly the caregiver is what we're relying on to say well this person, it will help them, but they also understand . . . And the medical community at least in my understanding have been educated that long-term massage is not effective.

Mr. Wall: — And so generally speaking again, I don't want to . . . I appreciate the answer you've given on massage treatments, but just generally speaking the final decision rests with the adjuster.

Mr. Cameron: — Subject to appeal, that's correct. Right.

Mr. Wall: — Thank you very much. The other information we'd be interested in and granted you'd likely have to take notice of this is, is the information that SGI does have in its possession on research on accident victims regarding whiplash, and any sort of whiplash clinical documents and University of Saskatchewan documents that SGI has.

My understanding is that this would have been part and parcel of the ongoing analysis of the . . . of PIPP and certainly potentially even as part of the formal part of the review. I don't know if there is, if there is that information. But if there is, what are the chances now that we have seemingly resolved the question of no-fault versus the tort or the premier option — in that we'll have dual system — that we can have a greater forthcoming of this sort of information that SGI has at its disposal in terms of this sort of research?

Mr. Fogg: — The information that we have, I guess the majority of information, is based on Dr. Cassidy's report.

Mr. Cameron: — That was published and public.

Mr. Fogg: — And that is public and published. And I'm not . . . I mean we have copies and we could make it . . . I don't think there's any restrictions on that and we could certainly make it available to the committee.

Mr. Wall: — Well it is . . . I'm sorry, I just have . . . Sorry.

Mr. Fogg: — I mean I'll check just to make sure. But to my knowledge, there's no good reason why we cannot disclose that information.

Mr. Wall: — Would the same then be true of any other research for whiplash or this sort of minor pain and suffering injury research that SGI may have? Is there any reason that it's sort of proprietary or that there's any confidentiality concerns around it?

Mr. Fogg: — I'm not sure we have any other material on it but if we do, we will table it.

The Chair: — Actually I've got Mr. Prebble and he's indicated a desire to be on the speakers list as well, and Ms. Atkinson as well. So I'll go Prebble, Atkinson, and then back to Wall.

Mr. Prebble: — Thanks very much, Mr. Chairman. I have some questions with respect to traffic safety, some of which may have to wait until tomorrow. But I, first of all, I just want to commend SGI for putting out this publication that deals with the traffic accident facts in Saskatchewan. It's an annual publication; it's a very useful document.

And I'm referring to page 4 of that document in terms of personal injuries and fatalities in the province in the three years under review. And with respect to personal injuries in the year 2000, there were 7,811 such injuries on provincial highways, urban streets, rural roads, and other roads in the province. And there were 131 fatalities.

My question is whether SGI in conjunction with the Department of Health could give us an estimate about what the economic costs associated with these injuries and fatalities is? We obviously know what some of the personal consequences for people are; but in terms of our future traffic safety planning, I'd be interested in whether we have any analysis of economic cost in terms of lost work time, cost of hospitalization, cost of rehabilitation.

I don't know whether we have this data, but I'm just making an inquiry as to whether we do. So through you, Mr. Chair, to our officials. And I realize some of this may rest with the Health department and may not be available to SGI, but if it is, I'd be interested in the information.

Mr. Fogg: — Mr. Chairman, I can give you our cost which will take into account some . . . certainly a lot of the rehabilitation, a lot of the income loss, income replacement. Our total, total all in actual accident benefits for the year 2000 was about 143 million. And the Department of Health would be on top of that.

Mr. Prebble: — Right. And do we know the Department of Health numbers — is that something that they provide to our officials at SGI?

Mr. Cameron: — No. No, not on the motor vehicle accident cost because that's billed back; that \$5 million would also be in there that we fund to Health. So we don't see a cost over and above that \$5 million that's in that 142 — 143, pardon me.

Mr. Prebble: — When we're doing traffic safety planning, I think we do need to know total cost. And I mean that as legislators. I'm not saying that SGI should have that information at their fingertips. But I think in terms of long-term safety . . . traffic safety planning, as legislators we need to know what the total costs of injury and fatality are, you know, to our system.

And maybe that's something that would be relevant, you know, for us to consider when we're discussing this on another occasion.

But I have a second question, and that is whether we've got any kind of a qualitative . . . we have good information on the number of personal injuries. I wonder if we have any . . . what

sort of qualitative information we have on the nature of the personal injuries that are sustained in the course of a year, whether we can kind of get some breakdown in terms of, you know, the number of people who take a year to recover, five years to recover, suffer these injuries for life — breakdowns of the various kinds of injuries that occur — so that we have some kind of sense of the human cost of traffic collisions in the province.

Mr. Fogg: — Mr. Chairman, I have some information that . . . in the year 2000 there were 184 we consider major loss; those would be pretty close to catastrophically injured people, people that may never work again or at least they would be quadriplegic — quadriplegic, severe brain injuries. We paid out . . . there was 869 with a permanent impairment that they had some severe loss of . . . maybe a loss of an arm or something. And the remainder . . . 138 deaths, and the remainder would be I guess . . . Internally we have a finer breakdown than this. But the rest would be I guess less catastrophically injured.

The Chair: — At this point I would note that we have reached 4 o'clock which is the agreed upon hour of adjournment. We're scheduled to reconvene our proceedings tomorrow at 9:30.

So I end it off with the speakers list with . . . containing Ms. Atkinson. And certainly if you have any further questions at that time you can raise them, Mr. Prebble. And I have a suspicion that Mr. Wall may have a couple more questions as well.

Anyway, this committee stands adjourned until tomorrow at 9:30.

The committee adjourned at 16:00.