

Third Session – Forty-Second Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Alan Lagimodiere
Constituency of Selkirk

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Thursday, June 10, 2021

TIME – 9 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Alan Lagimodiere (Selkirk)

VICE-CHAIRPERSON – Mr. Shannon Martin (McPhillips)

ATTENDANCE – 6 QUORUM – 4

Members of the Committee present:

Hon. Messrs. Schuler, Wharton

Messrs. Kinew, Lagimodiere, Martin, Sandhu

APPEARING:

Mr. Dougald Lamont, MLA for St. Boniface

Mr. Eric Herbelin, President and Chief Executive Officer, Manitoba Public Insurance

Mr. Michael Sullivan, Chairperson, Board of Directors, Manitoba Public Insurance

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2018

Annual Financial Statement of the Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2018

Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2019

Annual Financial Statement of the Manitoba Public Insurance Corporation for the fiscal year ending February 28, 2019

Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending March 31, 2020

Annual Financial Statement of the Manitoba Public Insurance Corporation for the fiscal year ending March 31, 2020

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Clerk Assistant (Mr. Tim Abbott): Good morning. Will the Standing Committee on Crown Corporations please come to order.

The first item of business this morning is the election of a new Chairperson.

Are there any nominations? Any nominations for Chairperson?

Minister Wharton, would you like to nominate—

An Honourable Member: Yes.

Clerk Assistant: Minister Wharton.

Hon. Jeff Wharton (Minister of Crown Services): Yes, Mr. Chair. Thank you and good morning. I'd like to nominate the member from Selkirk as Chair.

Clerk Assistant: Mr. Lagimodiere has been nominated Chair.

Are there any other nominations? Hearing none, Mr. Lagimodiere, please take the Chair.

Mr. Chairperson: Our next item of business is the election of a new Vice-Chair.

Are there any nominations?

Mr. Wharton: I nominate the member from McPhillips.

Mr. Chairperson: Mr. Martin has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Martin is elected Vice-Chairperson.

This meeting has been called to consider the following reports: the annual reports of the Manitoba Public Insurance Corporation for the fiscal years ending February 28th, 2018, February 28th, 2019 and March 31st, 2020; annual fiscal—or, annual financial statements of the Manitoba Public Insurance Corporation for the fiscal years ending February 28th, 2018, February 28th, 2019 and March 31st, 2020.

Before we get started, I want to first draw everyone's attention to the clock interface you can see as a Zoom participant. The hard-working staff here at the Assembly are testing a new piece of software which, if successful, will be fully operational for future standing committee and Committee of Supply meetings. Today is the first live test of the new clock software. Please use this as a reference when speaking. If there are any issues during the course of

today's meeting, I will also be keeping track of speaking times in the usual way.

We thank you all for your understanding.

Are there any suggestions from the committee as to how long we should sit this morning?

Mr. Mintu Sandhu (The Maples): Unless—because it's three years we are discussing, my suggestion is to have it for three hours.

Mr. Chairperson: The suggestion has been to sit for three hours. Is everyone in agreement?

An Honourable Member: Agreed.

An Honourable Member: No.

Mr. Chairperson: Sorry, was that an agreement, Minister Wharton, or a no?

Mr. Wharton: Agreed.

Mr. Chairperson: Okay. It's been agreed we will sit for three hours.

Any suggestions as to the order in which we should consider the reports?

Mr. Wab Kinew (Leader of the Official Opposition): Just like the committee to proceed globally.

Mr. Chairperson: Sorry, I was just having a little trouble hearing here. We're going to get my—an ear-piece for me.

But the recommendation has been suggested that we go globally. Is everyone in agreement? *[Agreed]*

Everyone is agreement. We will take the order globally.

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance?

Mr. Wharton: Yes, thank you, Mr. Chair, and good morning to everyone on the line this morning. Great to be here and great to see all the faces here this morning. It's, again, a new experience for all of us doing this virtually. We had—of course, last year we were able to do this in person, but unfortunately, under—in light of COVID and the restrictions we're still under, we're still in the virtual mode, but certainly glad that we are able to do this this morning and get through MPI financials 2018, 2019 and 2020.

Again, I'll keep this short because we do have three years to go through, and I know that MPI and—are anxious to take the questions. So we'll move

forward just by introducing—on the line with us today—my deputy minister, Bernadette Preun. Also, Rob Marrese is with us as well, our executive director. I also have my special assistant Eidan Hassan and my executive assistant, Madhur Sharma.

So we—I'd also be pleased to introduce Mr. Eric Herbelin, CEO of MPI, and Dr. Mike Sullivan, board chair of MPI, and also Satvir Jatana.

So with that opening—quick opening comments, just wanted to make sure that we're looking forward to this morning, and thank you, everyone, and good morning to my colleagues as well.

Mr. Chairperson: We thank the honourable minister.

Does the critic for the official opposition have an opening statement?

Mr. Kinew: Thank you, Mr. Chair, and thank you advance—thank you in advance for your work this morning. I also want to say good morning to the minister and to his staff, and also, of course, to welcome our guests here from MPI. I guess congratulations to Mr. Herbelin for the relatively new role, and hopefully that transition is going well, and, you know, we all stand to benefit as Manitobans if MPI is successful, and so we wish you the best of success. I also wanted to say welcome back to Mr. Sullivan.

We had the opportunity to meet in this committee last year, and I actually thought that that was a very productive exercise. You know, I thought there was a lot of good information shared. Certainly, we were earlier on in the pandemic then, but we were already seeing the effects. And, you know, I think back to that time and some of the answers on what was happening with jobs within MPI, with the impact on claims and the overall business of MPI; I thought that that was very—it was a very fruitful discussion, basically. We got a lot of good information out, and I think that that helped Manitobans to understand what was going on, and then in turn when we saw other things such as the rebate cheques, you know, that broader context helped to fill in the blanks there.

And so, you know, I thought last year's committee was a good exercise, and so I'm hopeful that this committee today will be similarly productive, and I hope that we can just continue that openness and transparency and good discussion that we had last year.

Of course, as we meet today, the pandemic continues. We're more hopeful, perhaps, at this point,

that we're closer to the end of the pandemic, but of course, there still are those issues.

So, in addition to some of the financial questions and I guess, you know, the state of the business at MPI, you know, I am very curious, I guess, just by way of giving you a bit of a heads-up, about the impacts, ongoing impacts of the pandemic both in terms of, you know, the profitability and, you know, the business of MPI, but then also, what is the impact on the workers, what is the impact on the need for office space. Certainly we've seen some activity in that area, so perhaps we can get to that later on in the discussion.

And, certainly, you know, the automotive trades have been making some noise publicly, and if we got time to touch on that, I think that would probably be productive as well, because we've heard from them, and I'd be very curious to hear MPI's perspective as well.

* (09:10)

So just, I guess, by way of a relatively brief opening comment, just wanted to touch on those points, but more than anything, you know, I have found these standing committees to be a useful venue, and so I appreciate everybody's participation again today and willingness to discuss these issues that concern ratepayers and, of course, all Manitobans.

So with that I just want to thank the committee in advance and say good morning to everybody.

Mr. Chairperson: We thank the member.

Do the representatives from Manitoba Public Insurance wish to make an opening statement?

Mr. Herbelin, you may proceed.

Mr. Eric Herbelin (President and Chief Executive Officer, Manitoba Public Insurance): Hello, bonjour, honourable members of the committee, including the Chair, minister and the members and those from the Clerk's Office assisting with today's proceedings.

Manitoba Public Insurance operates across the province, and we respect the treaties made on territories province-wide, acknowledge the harms and mistakes of the past and dedicate ourselves to move forward in partnership with Indigenous communities.

With this being my first appearance at the Crown Corporations standing committee, I would like to take a moment to introduce myself. My name is Eric Herbelin. I've been president and CEO of MPI since

January 4th of this year. Originally I am from Switzerland, and directly prior to this role I was the president and CEO of Elips Life Insurance Company, headquartered in Chicago, Illinois.

I spent my career in insurance: 30 years, across many countries, lines of business and functional areas of responsibility. I worked for small entrepreneurial organizations as well as some of the largest global insurance groups. I've spent my entire career learning and improving, and I'm deeply committed to the public insurance model that has successfully serviced Manitobans for nearly 50 years now.

In reviewing the transcript from the corporation's appearance last year in front of this committee I know that the annual reports and the annual financial statements for the years ending 2018 and '19 were discussed—maybe not approved but at least discussed—and I would like, therefore, to focus my comments today on the annual report and financial statements for the year ending 2020, mainly, which was another year of strong financial performance with the corporation ending the year with net income of \$180.2 million. This included net income for the basic insurance program of \$130.7 million. Total earned revenues for 13 months increased by \$190.6 million to \$1.5 billion, resulting from the additional months in this fiscal year and due to the increase in the number and value of vehicles on the roads.

The corporation's strong financial performance is due to diligent financial stewardship and continuous improvement to products and services. Taken together, the financial performance for the year ending 2020 allowed for a rate reduction of 8.8 per cent, effective April 1st of 2021.

As we all know, 2020 brought challenges to the world and Manitobans that have never been seen or had to cope with before, with the COVID-19 pandemic. MPI was proud to transition a total of six of our service centres throughout the province to COVID-19 testing centres over the past year and a half. As a proud Manitoba corporation, we have been eager to do what we can to help our health-care professionals provide the best care possible for Manitobans during this unprecedented time. We continue to do this, with four service centres currently being used as a testing facility.

Designated an essential service based on our mandate to provide automobile insurance coverage and driver-licensing services, our executive leadership team and staff across the province worked diligently to carry on important work while putting the

health and safety of our employees and customers at the forefront. For MPI, this meant moving as quickly as possible in the spring of 2020 to provide alternative and flexible arrangements for staff whose positions allowed for working from home and also those who could not.

We signed a memorandum of understanding with the MGEU to ensure staff revisions and protections against layoff. As a result, no people were laid off since the beginning of the pandemic. In cases where, you know, work volumes were low, we were able to support the fight against COVID-19 directly by temporarily redeploying up to 71 staff to Shared Health in a variety of roles in 2020 and, to date, we still have 19 employees that are redeployed. We also offered leave options and salary continuance and that's continued to this day.

I'd like to take a moment to especially recognize our front-line staff, these incredible individuals who are unable to work from home, have remained flexible in dealing with the ongoing adjustments this year to new safety protocols while continuing to provide exceptional customer service. This is just outstanding.

To protect people, customers, we continue to take precautions to follow public health orders, ensure physical distancing, sanitization procedures, as well as provide applicable personal protective equipment for each role. While initially we did not—we did need to suspend the driver testing services for a period of time, we were able to find ways to continue to provide the documents and coverage that customers depend on. We were able to safely resume our driving testing services in summer of 2020 and worked efficiently to clear the class 5 road test backlog in a matter of months.

Additionally, with many Manitobans financially impacted by COVID-19, we wanted to help how we were able. In both the spring and late 2020, we issued customer rebates, totalling a combined \$180 million, due to lower than expected claims costs. We proactively provided this relief by issuing rebates to policy holders as an alternative to future reduced premiums to allow—to provide direct assistance to customers when they needed it most.

As well, many Manitobans struggled with increased financial pressures during this period, and we waived \$2.76 million in late fees and interest on payments. Additionally, for commercial customers who have been so critical in delivering goods during this time of crisis, we provided \$1.85 million in relief

by extending the typical renewal period in spring of 2020 to July 31st, 2020.

Throughout all these challenges that we face during the pandemic, I am so proud—so proud—of the work and dedication of our staff and, despite all the distractions to our plans, we were keenly focused on the corporate mission statement, that is, the exceptional coverage and service, affordable rates and safer roads through public automobile insurance.

To execute on this, the corporation has and will continue to focus on fiscal prudence and technology investments to constantly improve customer service and increase customer choices to meet ever evolving needs.

As can be seen in the slide that was provided to committee members, some of the achievements throughout the year ending 2020 laid the groundwork for strong financial performance to materialize and to improve customer options for products and services, and that includes: progress on Project Nova, the largest transformation project in the company's history, multi-year project that will fundamentally increase our customers' choice in how they do business with us and meeting their needs in new ways; implementation of improved Driver Z program, providing a more attractive and technology-based learning curriculum for driver students; introduction of modernized salvage auction process providing greater access as it removes the in-person bidding requirements that were critical during the pandemic, and provide greater market access; continuing also the rollout of enterprise risk management framework, as well our asset liability management program with the aim to reduce volatility; improvement of our arrangement strategy to further reduce loss exposure during times of catastrophic events and, again, reduce volatility; and the launch of modernized suite of products for the first time in two decades, including an expanded choice of deductibles, increased maximum insured value coverage and increased third-party liability coverage.

As we look in the rear-view mirror, I'm really proud to say that we have accomplished a lot in the last year, and we will continue to build upon this notable achievement to provide customer service, products and services.

Mr. Chairperson, 2020 marked Manitoba's 150th anniversary, and MPI will celebrate its 50th anniversary later this year. We have only gotten stronger over the past 50 years and look forward to the next 50 years to come.

I fully commend the dedication of the executive leadership team, the board of directors, for these achievements, and would be remiss not to thank MPI's dedicated staff, our loyal customers and our valued partners for the service and supports over the last year.

* (09:20)

Thank you for allowing me the opportunity to address the committee.

I now turn it back to the Chair.

Mr. Chairperson: We thank you.

The floor is now open for questions.

Mr. Kinew: Thanks for that opening statement. I think you already touched on a number of the points that I'm very interested in. So, certainly welcome that.

I guess I'd just like to follow up on the point around profitability.

Just wondering if we could dive in to that a little bit further, and if you could, I guess, just give us a—maybe a bit of a closer look at the profitability for MPI right now and what accounts for that. You know, is some of this that we're seeing a continued reduced number of claims due to the pandemic?

If you could talk about some of those trends and then, again, yes, just give us the state of play when it comes to the profitability of MPI and, you know, the impact on the rates, the rebates, some of the other relief measures you mentioned, and, you know, the ability of MPI to provide for those things.

Mr. Herbelin: Thank you for the question, Mr. Kinew.

In terms of profitability, I will take a global picture on the financial statements in the last fiscal year, starting April 1st, ending March 31st. What we have seen is that the pandemic hitting right in March of last year really had a strong impact on financial statements for the year 2019, two thousand—no, apologies. I'm mixing up. But for the current fiscal year, starting March—or April 1st, 2020, and ending March 31st, we've seen that the pandemic really had a strong and significant impact on our financial performance in many different ways.

Revenues overall remained relatively stable. We have not seen a drop in the number of vehicles insured and the premiums. Claims, with the pandemic and restricting orders, have seen a drop, obviously, with less vehicles on the roads. So we have seen between, you know, anywhere between 15 and 30 per cent drop

in the number of vehicles on the road, depending on the month, for mainly passenger vehicles. For commercial vehicles, it was more of a stable continuation of incidents. But that definitely has reduced the number of claims.

At the same time, there was a number of movements in the financial markets and interest rates, and with that the performance of investment assets.

So, overall, we have seen a major drop in the months of March, April of 2020, but all of that was recovered. So depending when you take the cut of the financial year as—a fiscal year really cuts at the end of March—this has created a drop and a bounce back.

Overall, we continue to see an impact of claims frequency reduction, as we are still in a code red and with restricting orders. And we expect that, hopefully with vaccination increasing and hopefully the pandemic retracting, we will get back to normal.

So, in a nutshell, the pandemic has—was—has been the cause of better financial performance, leading to rebates that were issued last year, that I mentioned, in the order of \$180 million. We are seeing a strong financial performance that, hopefully, will also provide further relief down the line. And as the pandemic hopefully retracts and we return to normal, we expect that MPI's financial performance will—basically back to where it was prior to the pandemic.

Mr. Kinew: Yes, thank you, Mr. Chair, and, you know, thank you, Mr. Herbelin, for the answer there.

So, the figure that was provided—sorry, I didn't catch it in my notes—the \$180.2 million net income, that was for the fiscal year ending March 31st, 2020? Or was that for the last fiscal year ending 2021? Could I just ask that point of clarification?

Mr. Herbelin: That was for the fiscal year ending 2020.

Mr. Kinew: And what's the net income for the year that just ended?

Mr. Herbelin: For the year ended 2021, we have not released numbers just yet. We are going through the audit process of our numbers. Those will be made public soon enough. But I can just mention that the financial performance is strong.

Mr. Chairperson: Mr. Kinew. Mr. Kinew?

Mr. Kinew: You caught me sleeping there, Mr. Chair; appreciate that.

Yes, just—so, you know, I respect the fact that you're still auditing the numbers, but just curious to know, with the rebate measures and the other relief that was provided last year and the other impacts that you're outlining there, should we expect another relatively large figure in terms of net income, or is it going to be closer to zero? What should we expect there?

Mr. Herbelin: What I can share is that financial results that were reported and made public for the Q3—quarter 3 year-to-date-ended results, we reported a net income of \$79.2 million. So that's for nine months. And that is after the rebate of 181—no—179 to 180 million dollars in rebates.

So, if you add up these two numbers, it's a large number. And add another quarter of continued pandemic, it can probably be arrived that the profitability has continued to increase.

Mr. Kinew: Thank you for that, and thanks for pointing me in the right direction, there, with the Q3 results. Certainly do appreciate that.

I'm just wondering, you know, you talked a bit about the impact of the pandemic, particularly on the passenger side. You mentioned 15 to 30 per cent drop in vehicles on the road.

Could you walk us through what that means in terms of the impact on claims to MPI? Is it just like a linear relationship, like 15 per cent fewer vehicles on the road means 15 per cent fewer claims, or did we see another number in terms of the reduction in claims? And if so, can you share what that impact was, please?

Mr. Herbelin: Sure. The relationship is not exactly one to one. The claims costs are made of the frequency—number of accidents, number of claims—and the severity—how bad of a claim on average we have.

As you see a lower number of claims, you have also a lower number of small claims and a higher number of claims with a greater severity. So the—while the frequency has been hovering between 15 to 30 per cent and currently is maybe still around 20, 25 per cent lower than usual, the total impact on claims cost is slightly lower. That is reflected—the amount of which is reflected in the numbers that we indicate in terms of the rebate that have been returned to Manitobans.

So there's a direct relationship between the rebate amount and the claims—or the difference in claims costs.

Mr. Kinew: Thank you for that answer, Mr. Herbelin.

I'm curious to know, so with that, you know, net income as it is, can you walk me through what happens with that money? Does that all get returned to ratepayers?

Mr. Herbelin: So, the different components that form that amount of net income are variable between the basic inference line, the extension inference line, the special risk extension line and the DVA operations.

* (09:30)

DVA operations is a loss-making line of business. The special risk extension has not seen any change in the number of vehicles and accidents on the road and costs of claims due to the pandemic, and so we experience a very regular pattern in that line of business. The basic and extension lines of business are generating surplus and you would expect this surplus to be used and returned to Manitobans.

For the extension line, though, you know, there is a decision that needs to be made, whether the money can be allocated to basic insurance or not before the end of the fiscal year, depending on the needs of the corporation. And for basic insurance that is a resounding yes. All of that money eventually goes back to Manitobans. It can go back to Manitobans in two different ways. It can go back in the form of a rate reduction or a rebate, or a combination thereof.

In recent years, MPI did not have the capacity to rebate amounts of money back to Manitobans, so there was essentially a fluctuation of rates going up or down. We have seen in recent years a decrease in rates.

We never planned or expected or anticipated something like COVID-19 and the impact it would have on the financial performance of the corporation, so we are in a special situation, and I think we need to react to it in the first place; and in the second place we also need to learn from it and say how do we need, potentially, to adjust our own mechanisms when we face such situations.

So it was deemed appropriate in—last year, to return money to Manitobans through rebating, because that is a way to return large amounts of money immediately. And, certainly, at the time that was highly needed for Manitobans. Going forward, I cannot disclose our rate indication that will be filed to the PUB later this month, nor a potential rebate associated to that, but I would say—and you could expect, based on what we discussed previously—that we would have rather good news for Manitobans to be announced within the next two weeks.

Mr. Kinew: Thanks again for that answer. And, I'm sure, you know, I speak for many when we say we look forward to hearing that good news and cleanly anticipate all the details there.

I'd just—you know, I do want to pursue this line of inquiry that we're on right now and just walking through the impacts of COVID, but just—I was a little bit curious about something that you alluded to there, so I just wanted to kind of go off on a tangent for a second and just ask: so, if the supposition is that COVID was this unexpected sort of change in the business model, is it the corporation's expectation that things go back to normal at the end of the pandemic, whether that's, you know, in the fall or later this year? Will things go back to normal or will some aspects of MPI's business be permanently changed—at least, is that forecast to happen?

And, I guess, just to flesh it out, like, does MPI expect at all that people's driving patterns will change on a go-forward basis as a result of maybe people's psychology shifting due to, you know, either maybe people staying home more after getting used to it for a year, or maybe people drive more because they want to make up for lost time, as it were. So I'm just curious if, you know, you can share a bit of what is MPI projecting, in terms of whether there are any long-term changes to the ways people use their vehicles in Manitoba.

Mr. Herbelin: Thank you, Mr. Kinew, for the question. I think that's the million-dollar question that you are asking here.

I don't have a crystal ball. I think we are all sort of anxious to know, first, when the pandemic will be over, if the vaccines will be effective, if there will not be any sort of variants that make our lives more complicated than it should be. But when all of that is hopefully behind us, honestly, who knows what the new normal would look like and whether people will go back to their offices as they used to, whether they will continue to at least partially work from home, whether their leisure time will change. That is a great question. I don't have a clear answer, but our assumption, as of today, is that we expect things to return to normal post pandemic.

Mr. Kinew: Okay. Thanks for that.

So just returning to the idea of money being returned to ratepayers, so I just wanted to walk through the business lines—and just let me know if I have this right. In terms of, you know, any surplus from the basic or extension, that would be returned to

ratepayers, and then with the special risk and DVA, because there's no change in one and because the other is operated at a loss, that there—that they wouldn't return any money. Is that fair to say?

Mr. Herbelin: Can I kindly ask you to reframe the question? I missed one part.

Mr. Kinew: Yes. So, just because, like, with the basic and the extension programs, they—you're saying they're at a surplus. So if there is a surplus, that is money that could be returned to ratepayers.

However, with the other two, I guess, programs you mentioned, you know, special risk and DVA, because there was no change and then the other is operated at a loss, respectively, that those two would not return money to ratepayers.

I just wanted to repeat that back to you and see if I have that right. So basic and extension, because they are in surplus, may return money to ratepayers, but then the other two probably would not. Is that fair?

Mr. Herbelin: I think that is a fair description of how those lines of business work. Obviously, any, you know, amounts that are generated in surplus to the basic line of business should and will eventually at some point in time be returned to Manitobans, the timing of which, though, might be also depending on the scale of things and other variables. And as far as the extension line of business, we don't have a mandate, per se, to return it to Manitobans, but it is a good practice if the monies are not needed for any other purpose.

Now, I mentioned that we are making some losses in DVA line of business. Also, we are making significant investments with Project Nova that will generate long-term benefits and can—and with that, also eventual efficiencies. But in the short term, it requires amounts of capital that needs to be invested. So the mechanism that you describe is fair. I cannot, however, commit for sure now that all these monies will be returned to Manitobans immediately.

Mr. Kinew: So, yes, no, I take your point that, you know, you can't necessarily commit because some of that planning work may still be underway and you haven't done the rate application yet. So, you know, I do respect that.

In terms of some guidance, though, did the—what does the PUB direct in terms of capital management? Is there, like, a hard-and-fast rule that the PUB has set out in terms of a capital management plan and what should go back to ratepayers, or is that something

that's not a general rule, and it just occurs within a given rate application, as it were? Can you help me understand that?

Mr. Herbelin: That is specific to each rate application.

Mr. Kinew: Okay. Can you help me understand, then, what the PUB said in the most recent rate application? I'm looking through my notes. I don't actually have the exact figure in front of me, but I think it might have been one third/one third/one third? But can you—I might be mistaken on that.

So, can you help walk me through that, what the PUB had directed?

Mr. Herbelin: Mr. Kinew, are you referring to the minimal capital test levels that MPI is required to hold?

Mr. Kinew: Yes. Sorry, and maybe I could just reframe my question because I realize I was a little bit, perhaps, unclear.

Yes, so it's my understanding, I guess, that the PUB has directed that once, you know, net income is over 100 per cent of that MCT target that it should be returned to Manitobans, but I'm just wondering if you could just walk me through that and just help me understand it more clearly.

* (09:40)

Mr. Herbelin: The minimum capital test levels that is a industry practice across the Canadian insurance industry is set to defining the capital levels that we need to hold.

The capital, or the MCT capital level that we need to hold for the basic line of insurance is 100 per cent, for the extension line is 200 per cent and for special risk extension it's 300 per cent.

And for the basic insurance line—that is basically under the authority or the regulation of—or the control of the PUB in terms of decision-making—is expected to, at this point certainly, not hold more than 100 per cent, and there is a mechanism that is in place that was introduced in the last rate application to return some of these monies through a capital release provision of 5 per cent reduction. That only works, really, in situations where we don't have surpluses to the extent that we currently experience with COVID.

So, to my comment before: as we know, we did not expect or anticipate the impact that something like COVID could have on our financial performance.

That mechanism is definitely something that we may want to revisit going forward.

Mr. Kinew: Thank you. That's very helpful. I do appreciate that.

And so, again, if I could just kind of repeat it back to you in different phraseology—a lay person's less expert phraseology, perhaps—and you could just let me know if I'm on the right track here.

So, basically what the PUB had specified in terms of, you know, returning this capital—this capital release provision—that was based on, I guess, quote unquote, normal times, and then with the unforeseen pandemic and the impact on MPI's business, you know, things like the rebate cheques, the other relief programs made sense as a result of that arising.

Is that a fair characterization?

Mr. Herbelin: That is a fair characterization, yes.

Mr. Kinew: Okay, and then I just wanted to pick up—oh, thank you for that clarification, too, by the way.

In terms of a comment that you just made there, I forget the exact words that you used, but you said that the PUB has oversight over, you know, the basic program, but I was just curious, because you specified that, does that mean that the PUB does not have oversight over some of the other areas, like, say, DVA, special risk, or extension? Like, I assume PUB would also have oversight over extension, but maybe you could help walk me through the other two.

Mr. Herbelin: You are asking here a good question. I just—try not to say something that is not accurate because I don't have all the legislation and regulation wording in—present in my mind. But the role of the PUB is to make decisions and order the corporation on rate decisions related to the basic line of business. The PUB does not provide decisions or orders on rate indications for the other lines of business.

Mr. Kinew: So the PUB—so thank you for that—and so the PUB would not provide an order or a decision on those, but is it fair to say that, I guess, the financial impact of those programs on MPI, that that wouldn't be part of the PUB's deliberation?

Mr. Herbelin: Thank you for the question.

I must admit that I am new to this process and I have not had the chance to be part of a PUB hearing, so I speak under caution here. But the PUB, in this deliberation and understanding of the corporation's financial position looks at corporations certainly in broader terms, but, again, the order or the scope of an

order from PUB is restricted to the basic line of business.

Mr. Kinew: Thank you, that's very helpful. And I do take seriously the fact you're going into the rate-setting process now, and, of course, perhaps if we speak a year from now there'll be a, you know, much more of a different, I guess, level of familiarity. Though I do, of course, respect your expertise on the topic.

So with that in mind, I'm curious to know—well, maybe we could just dive into some of those other line items. You mentioned that the DVA is operated at a loss, and I did look at the annual report and I did see that.

I'm just wondering if you can just walk us through why that is.

Mr. Herbelin: Thank you for the question.

In simple terms, the reason for that is that the funds recovered for the financing of that line of business from the mandate that has been given by government to MPI never changed over a very long period of time and there has not been any adjustments in dollars or reflecting inflation increases, and so it is an understanding that this is happening, but there has not been necessarily an adjustment of that fee.

Mr. Kinew: And did the announcement on the change in vehicle registration fees, will that affect this amount?

Mr. Herbelin: The short answer is no.

Monies that MPI collects from drivers is directly remitted to government and is going to the finance budget of the Province. MPI is not holding any monies into our profit-and-loss account from these collections. We are incurring the costs, and in return for providing the service, government pays back to MPI a fee that is expected to—covering the costs, which was certainly covering the costs back then.

But, again, due to having maintained that amount flat and not adjusted for inflation over time, and despite some operational efficiencies, we are now in a position where we are having a deficit on this line of business.

Mr. Kinew: And is there a specific, like, strategy within MPI for how that's paid? Is it just, you know, if there's a—you know, net income's in a surplus position, it's just paid out of surplus, or is there a specific, you know, plan within MPI for how to cover that operating loss on the DVA program?

Mr. Herbelin: There is a financing of that line of business that occurs through other lines of business. So, specifically, we're looking at the possibility of the extension line of business to cover for these costs as the extension line provide certain excess of monies. This is not something that is necessarily the practice that we aim to continue, for sure, but it is sort of a stopgap situation until maybe a different solution might be found on how to finance the DVA line of business.

Mr. Kinew: And is that, like, in-year? So, like, if there's a surplus on the extension this year, then it goes to cover the loss on DVA this year, or is that something where it might be, I guess, an accumulated surplus that's used to cover that?

Mr. Herbelin: May I kindly ask you to clarify your thinking here? *[interjection]*

Mr. Chairperson: Mr. Kinew.

Mr. Kinew: Sorry to jump the gun there, Mr. Chair.

Yes, no, I just wonder if—like, does MPI, in the years with strong, you know, positive surpluses, does it put that money away and then pay for the DVA program, or is that the plan to do so? Or is it just, like, within-year, like, so that you'd just kind of use the surplus this year from the extension program and pay for the DVA loss out of that?

Mr. Herbelin: I understand the question, thank you.

I think in—for the years that are being in scope for review here, this happened more on a year-to-year basis. Not to say that—if we look at the projections for the future, this may have to change.

* (09:50)

Mr. Kinew: Okay, thank you.

Can you help me understand that? Like, why would it have to—or why might it have to change? I guess I'll phrase it as a conditional because it hasn't necessarily happened yet. But can you just walk me through why might it have to change?

Mr. Herbelin: The costs to operating the DVA line of business is around 36, 37 million dollars. As we speak, the monies recovered to fund that line of business is around \$30 million, so there's a gap of six to seven million dollars. On a year-to-year basis, it is impossible for us to cover for that difference with excess money from other lines of business.

As we look forward, however, I mentioned that we have to make significant investments for

Project Nova in new technology. Part of that is for the inference lines of business, but a significant part of it is for the DVA line of business and we need to have the funding available in order to make those investments which eventually, over time, will also generate efficiencies.

But we have to cover the investments that need to be made, and that amount is more than six or seven million a year.

Mr. Kinew: And, again, I'm a layperson here, so if you could just, you know, make it very plain for me.

So you have to make those future investments, you have the annual loss that you're running on the DVA program. So why, then, maybe looking at not doing it on a year-to-year basis? Can you just help me understand that?

Mr. Herbelin: I think the simple answer is the scale—or, the size of the investments related to Nova—Project Nova is such that it is probably not something that is meaningful, you know, not planning for.

Mr. Kinew: And so, can maybe we just jump from there into the Project Nova piece? At—just least for a moment here, just so it kind of ties up this part of the discussion? I'm sure we could return to the financial discussion after this.

But just when it comes to Project Nova, can you just remind me of, you know, some of the figures around the scale of the investment? And then also, if you could just explain, like, what share the DVA side of that is.

Mr. Herbelin: Sure. Thank you for the question.

My predecessor mentioned last year that the investments for Project Nova were expected to be \$86 million, excluding contingencies. And that was before we had concluded on all of the contracting of—the choosing and contracting of all vendors. A year later, we have made much more progress in understanding the cost of Project Nova. We have contracted with the software providers as well as the system integrators.

We are in an implementation mode now, so we have basically rebased the business case in terms of the financial numbers and we believe that the—based on all current understanding, the program will cost approximately \$115 million, excluding contingencies, and the screen between the insurance business and the DVA business is about half and half, roughly.

Mr. Kinew: So, at least in terms of ballpark, in terms of the DVA side, we're talking about, I guess, just shy of \$60 million, you know, high 50s, in the millions-of-dollar range, just in terms of the DVA impact? Is that fair to say?

Mr. Herbelin: That is fair to say.

Mr. Kinew: And what is the timeline there? Like, over, I guess, both in terms of the project, but I guess in terms of this financial discussion, in terms of, you know, the expenditure, you know, that \$115 million? Is—you know, is that an investment over the next three years, five years? Can you shed some light on the timeline there?

Mr. Herbelin: The investment for Project Nova will happen essentially over the next three years, three or four years from a cash-out perspective, The project for—not in its entirety, but for the most part will be capitalized. The rules around capitalizations are regulated by the international financial reporting standards, but for what can be capitalized, those costs will be capitalized and depreciated over a period of five years.

So there is a difference between what you will be seeing in the financial accounts versus the monies that are needed from a cash standpoint in terms of the investments. So most of those monies will be cashed out over the next three years.

Mr. Kinew: Thanks. And, you know, I won't hold you to calculating any compound interest here. But just if I could just repeat it back to you again just to make sure I have it clear.

So the cost of the project now expected to be 115 plus whatever percentage of contingencies, I guess, is budgeted for. But when we see financial statements, we'll see the principal and interest payments for, I guess, one year amortized over five years. I'm not expressing that super clearly, but I think you catch the drift of what I'm saying.

So it's not that we're just going to see 115 divided over three years. We're going to see the principal and interest payments amortized over five years in terms of whatever chunk was spent in that given year.

Is that a perhaps rough but fair characterization?

Mr. Herbelin: I think I understand what you are saying, and I will just repeat that there is a difference between the timing to which monies are being—the money is spent and cash is going out of the bank accounts versus how that is being displayed or recorded in our financial statements, taking into

account the fact that a number of those investments are capitalized and depreciated over a five-year period.

Mr. Kinew: And so does the Public Utilities Board have oversight onto the money that's going in and out of the DVA program?

Mr. Herbelin: Not to my knowledge.

Mr. Kinew: And so then would that be reported clearly in the annual report? Or I'm just curious, how is the public going to be able to see what's going on there?

Mr. Herbelin: Yes, we are—as we publish of—annual financial statements for the year ending '21, we will provide transparency in terms of the total financial statements for the corporation as well as summarized statements for each of the lines of business, including DVA.

Mr. Kinew: All right. Thanks for that.

And, you know, could you tell me, like, what the amounts would be, at least in terms of a ballpark in terms of what we should expect to see there?

Mr. Herbelin: Mr. Kinew, can you precise what numbers you are referring to? *[interjection]*

Mr. Chairperson: Mr. Kinew.

Mr. Kinew: Sorry. Yes. Thank you, Mr. Chair, and apologize for speaking too soon there.

Yes, no, it's just, like, if I'm hearing you correctly, there's a potential move towards maybe setting money aside from net income towards covering future years' DVA costs—or the losses, to be specific—and so I'm just wondering, like, what amounts are we talking about there?

* (10:00)

You know, it's—I understand you're not presenting these figures, so I'm not going to hold you to a specific number. But I'm just wondering if you can give us a ballpark, like an estimation of the—that the—maybe the order of magnitude of what we're expecting here, rather than a specific figure.

Mr. Herbelin: I cannot provide an exact number just due to the fact that our annual statements—or financial statements are not public just yet, but it will cover, certainly, for the investments we need to make this year and next year.

Mr. Kinew: Thank you.

And are you able to quantify what that would mean in terms of a foregone rate reduction to rate-payers?

Mr. Herbelin: I cannot comment on that. I'm—just don't have the math right here, and I think we will see more information relating to that in our general rate application to PUB that will be submitted two weeks from now, and they can—interveners will be able to have more transparency on that.

Mr. Kinew: Okay, well, I take that seriously and thank you for that answer.

Can you then maybe just talk a bit about how do you strike that balance? Like, what is the decision-making process with the executive team? With the board? How do you strike that balance between deciding, okay, we're looking at potentially returning money to ratepayers, but we also have these capital needs that we have to take care of. Like, how do you make that decision between, you know, how do we find the appropriate amount to devote to these long-term initiatives that we think are going to pay off with, you know, I guess value for the ratepayer versus, like, that sort of more immediate relief in the form of a rate reduction or by other means?

Just curious to know about the decision making and what are the different factors that you're weighing in as you weigh those decisions.

Mr. Herbelin: Thank you for the question.

So basically, if we were breaking even in all lines of business and would want to invest into new projects in order to modernize the corporation, then Nova, I think, has been presented and characterized a number of times in terms of being critical for MPI to continue to provide good services and provide new enhanced online capabilities to Manitobans going forward. We would have to raise that money one way or another.

So, being a Crown corporation, we are not going to investors and raising money. So we could basically say, well, we need to increase basic rates in order to create that funding stream, or since we have excesses—or surpluses generated by other lines of business such as the extension line of business, we can use those funds.

So basically, we are I think in a good position to finance those investments without having to—increasing necessarily the basic rates for that matter.

Mr. Kinew: Well, I appreciate that insight and the candour in the answers in the sections, so I do appreciate that.

So maybe just taking a step back towards the more global discussion, there, would you be able to let us know what the reserves today are for the basic, for the extension—and the special risk extension program?

Mr. Herbelin: Again, these are numbers that cannot be disclosed at this point, but the numbers for the Q2–Q3 ended period—so, the nine months into 2021 are available. I don't have them in front of me, but if you want me to comment, I can research that and answer later or take it under advisement.

Mr. Kinew: Yes, sure, we could take that under advisement if, you know, Monsieur Herbelin is okay with that.

Mr. Herbelin: Yes. Agreed.

Mr. Kinew: And, again, just with this—the idea around the, I guess the—what we were talking about, potentially financing the DVA losses and capital investment over a number of years, is that something that would require government approval, or is it simply the board of MPI that would approve it and submit it to the PUB? Or does the government have to weigh in there?

Mr. Herbelin: There's a number of matters that are under the approval authority of the boards. There's a number of potential other avenues that are being discussed with government in terms of making the DVA line of business self-sustaining.

As far as the measures taken so far, as using monies from extension line of business, these decisions are under the authority of the board of directors of MPI.

Mr. Kinew: So I do have to ask—so I take your point about the approval at the board level of some of those decisions, but does that then mean that there's conversations ongoing about potentially government increasing the fee that's brought into MPI to offset the DVA program?

Mr. Herbelin: This being an issue and us discussing it for some time this morning means that it is definitely a matter of interest.

And it is our duty, as MPI, to address that concern with government as part of our ongoing relationship and my ongoing interactions with the Deputy Minister of Crown Services, raising the issue and offering

scenarios for consideration in terms of what can be done in the short and the longer term.

Mr. Kinew: Thanks for that.

And can you let us know when these discussions happen?

Mr. Herbelin: These discussions are ongoing.

Mr. Kinew: And who are those discussions held with?

Mr. Herbelin: My point of contact and line of discussion with government is the Deputy Minister for Crown Services.

Mr. Kinew: Thank you very much; certainly appreciate that.

Just returning to the ongoing discussion we've been having this morning about the, you know, the nature of the reserves and of rebates, we do have a—like, I think a pretty important issue before the Legislature right now in terms of Bill 35.

I'm wondering if you have any concerns or thoughts about section 18(6) of that bill, which would, I guess, specify that reserves cannot be used to pay for rebates.

Mr. Chairperson: Just need to advise members of the committee that—so just a reminder to the committee members that we can't ask specific questions about a bill that's currently before the House.

Mr. Kinew: Okay. And I'm sure you'll let me know if this next question is, I guess, permissible to ask as well, Mr. Chair. So thanks for your interjection, there.

* (10:10)

What would the impact be, I guess, for ratepayers if reserves can't be used to pay rebates in the future?

Mr. Herbelin: Again, I—there is a caution that was spoken out around the bill that is in the Legislature, so I'm not referring necessarily to Bill 35 or that section 18.6 you mentioned, Mr. Kinew.

But we see, as we are in a pandemic, causing a reduction in the number of claims and having a direct impact on MPI generating higher than expected net income, and with that building a surplus or reserve that is above our minimal capital requirements, we had a need to return money to Manitobans through the use of rebates. And it demonstrates the need, in some exceptional circumstances, to make use of such mechanisms.

Mr. Kinew: Okay, thanks for that, and I recognize that, you know, it's, you know, as the executive at a Crown corp., it's, you know, there's some sensitivity there in terms of the answer, so perhaps we'll just move on.

And maybe we could just dive into Project Nova again. You talked a bit about the cost of—or for projected cost, anyways, of the investments that MPI is going to be making. I'm curious to know if the insurance brokers or if anyone else are making investments towards those costs.

Mr. Herbelin: I would like to have a clarification of the question.

Are you, Mr. Kinew, asking me if brokers are participating financially to the investments on Project Nova?

Mr. Kinew: You know, I understand the lack of clarity, there. Maybe I could say it this way, because I think Project Nova is maybe too specific.

So, over and above the investments that MPI is making into Project Nova, are the insurance brokers making investments towards the transition to online services?

Mr. Herbelin: Thank you for the question, and I assume the question is whether brokers are making investments or disbursements on their end to adjust their own operating systems and procedures in order to be able to use the future systems that Nova will provide. And to that question I can simply not answer in the names of the brokers because I don't know what they are doing to adjust their infrastructure, in general and more specifically, as Nova will be made available.

But saying the following is we currently provide the workstations and the software and the accesses to our insurance workstation to brokers, and the model that we envision through Nova is a similar one, so I don't expect that there would be significant investments that would need to be made by brokers in order to be able to use the MPI systems going forward.

Mr. Kinew: I do assume that there would be some costs to the brokers and there would be some impacts that they have to make investments for but, you know, I take the point that, you know, that's not necessarily information that Monsieur Herbelin has access to, at least at this point. So maybe we could just pick up the discussion in terms of the timeline.

You mentioned brokers being able to access some of that functionality. When do we expect that to come

online? Or maybe are there certain milestones that you can tell us about with Project Nova in terms of we expect this gate to happen at this date and, you know, at that point, you know, we'd be able to see these services and perhaps this interactivity or functionality for brokers, for customers, et cetera.

Can you just walk us through some of that?

Mr. Herbelin: Certainly. Nova is a significant program with a lot of moving parts, and we are taking a staged approach to it. The different components are starting with the lines of business, the insurance business as well as the DVA business. Then we have the basic and extension lines of business versus the commercial or a special risk extension business. On the driver and vehicle side, we have driver licensing versus vehicle registration. We also need to entertain the international registration plan for commercial vehicles—and claims in itself is also one dimension that is specific.

So with all these moving parts, our plan of action or significant milestones are that we are starting with the implementation of Nova. We started, actually, in January of this year, and we are going to be making first functionalities available for commercial business. So for the special risk extension business, by the end of next year, and following year, 2023—so by about, you know, that is in two years from now, roughly—we will be making individual driver licensing, vehicle registration and insurance registration services available through a new platform.

And the rollout of those different services within that category will also be staged. So you—we're not anticipating a big-bang approach where you leave the office on a Friday, come back on a Monday morning and boom, you have a, you know, completely new set of services covering all needs from A to Z. We could take such approach, but we deem that this approach would be too risky, so we are going through a staged implementation with key milestones, and within that, minimal viable products being released step by step.

And some of the releases at the more granular level will be also more flexible in terms of us obtaining an agile deployment methodology. It provides more flexibility and allows for alignment of different interdependencies in a much more flexible and quicker fashion.

But in a nutshell, end of next year we will have a number of new services available for commercial vehicles and the special risk extension line of business. In two years from now and progressively from

there on, we'll have new services and capabilities available for individual driver licensing, vehicle registration, insurance licensing services. And by 2024, we will have the capabilities and services for physical claims, physical damage claims made available.

And that will be, on our timeline, what we expect to be the end of program Nova and from thereon the shift of the program into operations and continuous deployment and improvement on those functionalities.

Mr. Kinew: Well, thank you for that answer, and I do note that you used the term MVP, which is a tech term, so I think that's certainly an encouraging sign when, you know, some of that forward thinking from the tech industry is being adopted in the management of our Crown corporation here because, you know, some of that innovation is good and certainly allows things to run more efficiently, perhaps. And I guess in the long term, we hope that that leads to more value for Manitobans both as ratepayers, but also, you know, as the stewards of Manitoba Public Insurance. So I just wanted to acknowledge that minimum viable product got a shout-out there.

So I just—comparing the timeline to some of the previous statements that we've seen where we've heard about, like online transactions coming into April of 2023, and, you know, some of the comments that the former CEO made at committee last year, so—I don't have all of those milestones in front of me, but it seems by and large that things are on schedule, so to speak. There may be some variation in terms of the months, but it seems like the timeline in terms of years is roughly the same.

Is that right, or has there been any significant change in terms of the timeline for the implementation of Nova?

* (10:20)

Mr. Herbelin: Before I answer this question, or we get back to it, but I would like to follow up on one of the previous questions around the Q3 2020 actual MCT capital ratios.

The minimal amounts that we require for basic is 100 per cent, and the actual number at the end of the Q3 period was 100 per cent. For extension line, our targets or minimum amount is 200 per cent, and the actual number was two eight four—284 per cent. And for the special risk extension, the target is 300 per cent, and the actual amount or number was 274 per cent.

Now, to your question, Mr. Kinew, about the milestones, are we on track with what we thought we would be doing previously, I think the short answer, board answer, is yes. We stopped it with what is called the discovery phase with our system vendors and system integrators at the end of last year, of the last calendar year. This has run very smoothly and in a minimum time we could confirm that we're moving to the delivery phase, so we are currently in implementation for the various parts of Project Nova and following the timelines I indicated before.

Specifically, for online services made available to individual customers, for Manitobans, for the personal auto insurance, vehicle registration and driver licensing, we anticipate that the core system will be available by April of 2023. The actual online services need to be released a couple of months later to making sure that there is no issues, so we are planning mid-year of 2023, so around the July 2023 timeline, as we speak.

Mr. Kinew: Well, certainly, we'll watch that with interest and, you know, a lot of Manitobans want that online functionality.

At the same time, you know, the insurance brokers are job creators, and many of our communities, whether that's in the city of Winnipeg or other rural communities, and so we also always keep that in mind, the impact on local business owners and the people who work in, you know, the insurance offices across the province. And so there's certainly a balancing act there, where we want to protect local business and protect jobs and, at the same time, we do have to have that evolution of functionality and access to services for ratepayers in Manitoba. So certainly, perhaps, a complicated topic at times but one that is important and we'll definitely keep an eye on.

So maybe we could just jump off from there into that other big change that happened since the last time we were at committees, which was the new arrangement with the insurance brokers. I was just wondering if you could walk us through what some of the impacts will be, you know, financially, of that new arrangement over the next five years, and if you can kind of let us know what the impact would be on the ratepayers from that arrangement.

Mr. Herbelin: Certainly. Thank you for the question.

I think at the last committee there was a discussion around a document that was made public that highlighted six different scenarios with a number of assumptions. I think, Mr. Kinew, you acknowledged

that it was a model with a lot of assumptions and that things certainly would evolve, as MPI was still in conciliation with the brokers. That conciliation was very productive, and both partners felt like they reached an agreement that they could live by and would be the best solution for Manitobans.

And when we look at the different variables that are having an impact on the financial aspects of things, it was also mentioned in the last committee by my predecessor that the single most important factor is the actual adoption rate of online services by Manitobans.

That is, again, the million-dollar question today: to what extent are Manitobans going to adopt online services when those would be made available? One could expect that post-pandemic versus prior COVID, the likelihood that this number is going to be higher might be greater, but we don't know.

I have worked in the insurance industry for 30 years. I worked with all sorts of distribution channels. I've been working very closely with the broker channels in different capacities, both individual retail broker channels as well as larger corporate, commercial distribution channels, and I have seen also that world evolve over time and the introduction of new, more direct channels take place.

And what I note that is—first of all, there are differences based on jurisdictions and cultural backgrounds. Not all countries react the same to new online services. I think there is definitely a generation change. And what I maybe observed in some prior roles 10 or 15 years ago is different today with not only the technologies being better, but maybe younger generations being more prone to using, you know, iPhone or a computer to do a transaction.

Having said that, we also see a number of millennials or Gen Z still wanting to use a person relationship channel as opposed to an online transaction. Insurance is not something that people buy, it's something that, you know, they have to have and they typically find their ways either through a broker and say, hey, I have this need, please help me out, or they self-serve themselves.

What we expect will happen is that maybe a number of simple transactions will be a more widely adopted—changing an address or reassessing the insurance of pay-making a payment. And that will certainly have good outcomes for the public being able to do more of that.

Now, back to the adoption rates. Based on the projections we made upon closing of the conciliation process with IBAM, we expect that—based on relatively conservative assumptions, we will pay not more commissions to brokers, but less commissions than today. So, actually, the commission rate will remain slightly stable or slightly increasing for in-person transactions, whereby in the agreement that was made with the brokers who will continue to pay a commission for online services, but a much lower amount than they would receive if they are to provide the service in person instead.

Compound that or associate that with the adoption rate percentage of online services, we project that MPI would pay less commissions to brokers over the next five years. But the mechanism that has been negotiated with the brokers ensures to protect that interest that you mentioned, Mr. Kinew, that is to making sure that those small-business owners continue having a job and are not suffering so—you know, a disruption that comes all of a sudden to them. It will be more of a stage evolution from providing purely in-person services to a mix of in-person versus online at what we can anticipate will be a progressively increasing adoption rate of online services.

Mr. Kinew: Thanks for that answer, because you, in part, kind of anticipated where I wanted to go with this. Just, you know, partially the impact on the brokers and their offices across the province. I am curious about that.

But I'm just wondering in terms of, like, you're projecting, I guess, a reduction in overall commissions paid over the next five years. Just wondering if you can quantify that. And then jumping off from there, do you have an idea of what that means for brokers? If they're seeing less commissions, what does that mean for them, at least as far as what MPI's understanding the situation is?

Mr. Herbelin: Thank you for the question.

We heard a number of plus-23 million being mentioned a couple of times, and that was a result of the document that was made public and referenced in this committee last year. And as I mentioned in my prior answer, our assumptions and inputs to the model have changed after the conciliation process has concluded.

* (10:30)

In rough terms—and, again, pending to the actual adoption rate of online services—we expect that MPI would pay \$20 million less in commissions over the

next five years to brokers. Not so much so in this and the next fiscal year and maybe not so much in the following one, because online services are not available or then in 2023 will only begin to be made available, but towards that tail end of the five-year period we estimate that the reduction in commission paid could be approximating minus \$20 million, depending on, really, how many Manitobans decide to use online services and whether they decide to use online services for all of the transactions or maybe only changing an address versus I'd rather go to a broker to register a new vehicle.

Mr. Kinew: Thanks for that answer, and also thank you, Mr. Chair.

So I'm just curious to know, like, there's been this ongoing engagement with IBAM through the—a bunch of different channels, so I assume that MPI has some understanding of what the potential impacts of that could be.

So, you know, what is foreseen if there is that 20 million fewer dollars paid in the form of commissions? Is that going to be a significant impact to brokers across the province? Is that something that, you know, they're going to be able to make up for in other ways, perhaps, you know, working with MPI in other fashions or in other lines of business that they carry out?

Just wondering what your understanding is of what the impact will be to these, you know, businesses in Manitoba over that same time horizon.

Mr. Herbelin: Thank you for asking me to clarify that question, Mr. Kinew.

I think my predecessor mentioned last year that MPI contributes roughly 40 per cent to property and casualty brokers in the province, so we are definitely not making up for the majority of the revenues ingrained by general insurance or property and casualty brokers in the province. And within that—again using broad numbers, but I guess you want the big picture here—if we compound the amount of commissions that we plan on paying over the next five years in relation to that \$20 million that I mentioned, the impact would be less than 5 per cent. And that gives me an indication that this is going to—not going to be disruptive to broker businesses.

I think broker businesses need to prepare for a significant disruption in the industry that has been ongoing for a number of years now that you probably read regularly—if not every day, certainly probably once a week—smaller brokerages that are being

acquired by bigger ones; so, there's a wave of consolidation that hits the brokerage industry. And that is, I think, a bigger—by far bigger game changer for brokers than any form of online services going to be provided by MPI in the next five-year period.

Mr. Kinew: Well, I think that's a very interesting point.

What, you know—if I could ask Monsieur Herbelin, you know, what does that mean in terms of, you know, MPI's business going forward into the future? If there is that increased consolidation in the space for the brokers, what effects would that have for the Crown corp.?

Mr. Herbelin: I am certainly concerned that the consolidation wave that is occurring in the brokerage industry could potentially affect MPI in that a number of pop-and-mom shops, small-business owners, could disappear. That is no good for MPI's ability to continue to provide a face-to-face or in-person delivery channel.

MPI has worked very productively with brokers over the last 50 years. We very much value the role of brokers. While a large number of Manitobans are asking for online capabilities to self serve and transact online, there's a number of Manitobans that do not want and will not want to use those channels going forward and will want to continue to be able to access a broker. And that is whether it is for the Autopac business or for home insurance or life insurance or other types of insurance.

So I am personally concerned about this trend. It's not one that we can necessarily influence or change. The consolidation in the broker—brokerage world has been ongoing for probably two decades globally, and it continues to have a certain level of activity in Canada and Manitoba as well.

Mr. Kinew: Appreciate that answer.

You know, I'm hearing impacts in terms of service delivery and accessibility for customers at offices across the province. Could there potentially be financial impacts on MPI with increased consolidation in this space?

Mr. Herbelin: I don't anticipate any positive or negative financial impact from that, at least for the foreseeable future.

Mr. Kinew: Okay, thank you for that.

And then just returning to the point that was made earlier, I believe Monsieur Herbelin said that he found

that the conciliation process with the brokers was productive, and so I take that answer seriously. I'm curious to know, though, why was the conciliator's report never released?

Mr. Herbelin: I may defer that to the board chair, as this happened prior to my coming to MPI and I was not privy to the conciliation discussions.

Mr. Michael Sullivan (Chairperson, Board of Directors, Manitoba Public Insurance): Yes, and, actually, I'm going to defer that over to Jeff because, effectively, this was an order from—or a directive from government for us to enter into conciliation, and the results of the conciliation were to be kept confidential, I believe, Mr. Wharton.

Mr. Wharton: Thanks, Dr. Sullivan and Mr. Herbelin, for all your time this morning, again, and thank you for that question, the member.

So, yes, good question. And we know that a directive was given to Manitoba Public Insurance to work with a conciliator through the process of ensuring that the two parties will be able to get together and come up with a—obviously, a package that was beneficial to Manitobans, Manitoba rate-payers, MPI and IBAM.

Fortunately, during the process—through the hard work of our board and board chair, and certainly the work of the executive—and, again, led partially by the new CEO, Mr. Herbelin, and, again, his predecessor—the parties were able to come to a conclusion prior to the conciliation coming to a close.

So we certainly commend the two parties for doing that, and we thanked mister—the conciliator as well, Mr. Finkbeinder [*phonetic*], for his time and participation and ensuring that he helps to 'cannel' that process and allowed the two parties to come to a mutual agreement for the betterment of the industry and the betterment of Manitobans.

Mr. Kinew: So I was just—thanks, Mr. Chair, and thanks to—well, first of all, let me say I was remiss earlier. I should have been saying Dr. Sullivan, so let me acknowledge that—and also to Monsieur Herbelin and to my colleague, the minister.

So I'm just curious to ask, as a follow-up: What was the results of the conciliation? [*interjection*]

* (10:40)

Mr. Chairperson: Dr. Sullivan.

Mr. Sullivan: Oops, sorry. I can answer that one for you.

The results are what's in front of you—is the terms of the agreement.

Mr. Kinew: Thank you for that.

And when was this conclusion arrived at with the brokers and with MPI?

Mr. Herbelin: The conclusion of the conciliation—I'm trying to find the exact date, but it was at the end of last year. The five-year agreement was ratified on November 23rd and taking effect April 1st, 2021.

Mr. Kinew: Thanks for that.

And that was the ratification. When did the deal come to the board of MPI for approval?

Mr. Herbelin: I was not here, so I can only suspect it was prior to that, but I don't know if the board chair wants to interject here.

Mr. Sullivan: Sorry, I'd have to get back to you with the exact date, but it was very close to that timeline. It was slightly before the ratification with IBAM. It was ratified at the board level by our team.

Mr. Kinew: If Dr. Sullivan would agree to undertake that, I would appreciate that. So I could just ask if he'd agree to do so. [*interjection*]

Mr. Chairperson: Dr. Sullivan.

Mr. Sullivan: Sorry, yes. I'm new to this, and I have to allow you to introduce me.

But yes, I will take that under advisement.

Mr. Kinew: Thanks again, and appreciate that undertaking.

So working backwards from that, I guess, the deal being ratified—when was the decision made to, I guess, not wait for the end of the conciliation process and to just, you know, get a deal done with IBAM as it were? [*interjection*]

Mr. Chairperson: Dr. Sullivan.

Mr. Sullivan: Oops, sorry. Sorry again. Yes.

Mr. Chairperson: Okay. Go ahead, Dr. Sullivan.

Mr. Sullivan: The purpose of the conciliation process is to bring the two parties together to reach a favourable outcome for Manitobans. That's ultimately what the conciliator was about: if we can get to an agreement. That's the best outcome for everybody, so that's ultimately what occurred.

Mr. Kinew: What—was the timing of that tied to the departure of the previous CEO?

Mr. Chairperson: Mr. Hiebert [*phonetic*?]
[*interjection*]

Sorry, Dr. Sullivan.

Mr. Sullivan: Yes, that's okay.

No, the previous CEO had it—already announced, at least internally, his intentions.

Mr. Kinew: Sorry, just a point of clarification: the intentions—can he just spell out what he meant by his intentions?

Mr. Sullivan: That he'd be stepping down.

Mr. Kinew: And was government pushing for there to be a deal outside of the conciliation process?

Mr. Sullivan: No. I think all Manitobans—and, in fact, government and IBAM and MPI—were all pleased that there was a deal to be made, but no, there was no push from government; there was no interference whatsoever on their behalf.

Mr. Kinew: Thanks for that. I appreciate the answers, there.

I'm just curious, did the conciliator ever draft a report?

Mr. Sullivan: He was in the process of drafting a report. Yes, he was. So it was close to the end of conciliation as far as that aspect was concerned, if that helps.

Mr. Kinew: Yes, thanks again for that answer.

So, you know, the draft versus what was arrived at—how much of a difference would there be between those two things.

Mr. Sullivan: I wouldn't be party of all of Mr. Finkbeiner's notes, so I quite honestly can't answer that one appropriately, I suppose. There was discussions back and forth between all parties as far as that was concerned between IBAM within MPI and within the conciliator. I mean, definitely he shared his thoughts as well as, you know, obviously IBAM was speaking, and MPI was speaking to get to an agreement, but the exact nature of what he thought he may write, I'm not privy to—or MPI wasn't at least.

Mr. Kinew: Sorry. I'm still on mute, there. Okay, well, I appreciate those answers.

I did have a question. It's a point of clarification, I guess. So it's my understanding that the new deal was, you know, starting April 1st, 2021, but when we look on the government's website, they posted an

order-in-council that increased broker commissions in March of 2021.

So I was just wondering, what accounts for that move to have those rates increased a month earlier?

Mr. Herbelin: Thank you for the question.

I'm unaware of the order-in-council you are referring to, so I would be happy to follow up on this one if we can have further clarification on that.

Mr. Kinew: This is a question for you, actually, Mr. Chair.

Is it helpful if I post a link to the order-in-council in the chat, or can I email it to the moderator, just because, perhaps I could ask Monsieur Herbelin to undertake to provide an answer to this, and just so that there's no confusion I could provide the specific reference to that OIC? Or maybe just some direction in terms of how to share that?

Mr. Chairperson: With that, it would be better if you emailed that to the moderator and he can disperse that to the committee.

Mr. Kinew: Thank you.

So, I'm just, you know, looking ahead with the new arrangements, here. It's my understanding that the new renewal statements will no longer say the word commissions on it, and that this was a change arising out of this new agreement with the insurance brokers.

Why was there this change in the way things are disclosed to customers?

Mr. Sullivan: During the conciliation process, that was what was agreed upon between IBAM and MPI.

Mr. Kinew: Thanks for that answer.

Could you help me understand why that change was requested and why was it agreed to by MPI?

Mr. Sullivan: I guess I would have to get back to you on that one, sorry. I'd love to remember intuitively, but I don't.

Mr. Kinew: Thank you, and yes, no, I would appreciate if, you know, Dr. Sullivan could undertake that as indicated.

I'm curious to know if there are other changes that would—I guess, you know, public-facing changes like that, that are going to impact the, you know, people who have Autopac policies, anything that the board chair or the CEO can share with the committee, other

changes that the person looking at their bill or a person making a payment might expect to see?

Mr. Sullivan: I can start off, and then Eric, if you want to chime in. I know that there is a committee that has struck with representatives from MPI and IBAM to work on these various issues not only with a rollout of Project Nova and what it would potentially look like in the online world, but on all sorts of different aspects of the interactions between the two and a public-facing model that is out there.

So, Eric, if you want to chime in?

* (10:50)

Mr. Herbelin: Before I further elaborate on that one, I just want to provide some answers to questions that remained unanswered before, additional clarification. The IBAN [*phonetic*]-the IBAM agreement was presented to the board of directors of MPI on October the 1st of last year. Also, the previous CEO of MPI resigned in July of 2020, well before the end of the conciliation process.

On the question of changes between MPI and brokers going forward and disclosures, we will continue to fully disclose commissions paid to brokers, so from that perspective, we don't anticipate changes. We will do that for two reasons: first of all, the importance of transparency, but also commissions, per se-or what is called oftentimes in the private sector for insurance industry is distribution or acquisition costs-are a line item that needs to be detailed on the financial statements.

Mr. Kinew: Thank you for the answers from both gentlemen and also, I guess, for the follow-up to the previous questions.

And I do have a follow-up to that, but I wanted to just pick up the point on Dr. Sullivan's answer first. Just-he makes mention of a committee, there. Can you talk about who the membership are on this committee and any other details, like how often are they meeting to provide this, I guess, you know, direction and, you know, the-I guess, the steering function of that committee?

Mr. Sullivan: All I know is that the-it was agreed upon that it would be in the best interests of Manitobans, quite honestly, and actually with-best interests of the brokers, MPI, to have a clear and concise dialogue between the two. At the end of the day, we need to work together for the better of Manitobans, period. So the-through the conciliation process, it was discussed that, look, we need to create

a bit of a system where we can get all similar minds in a room and discuss how-various aspects as a rollout.

As for the operations aspects of it, I'm going to send that over to Eric because he may know a little bit better as per how often they're meeting, but I do know that they've met already, so-and it's been very productive so far.

Mr. Herbelin: In terms of the MPI-IBAM relationship, I am meeting with the CEO of IBAM on a monthly basis to exchange on various subjects of interest for both parties. We have a very good relationship and very constructive dialogue.

I am also meeting regularly with the IBAM president to exchange on the direction that M-E-MPI goes, the challenges that brokers face, and we have finding-we are finding a very productive and constructive dialogue here.

From a more operational perspective, we are-we have started engaging with IBAM members, and so there's a number of individuals-I don't have the number, Mr. Kinew, specifically-but there's a double handful of brokers that were selected by IBAM to sit on an operational committee to discussing the expectations, needs and requirements, specifications of online services, such that MPI is not building those services blindly but receives input from the brokers in alignment with the brokers.

And those discussions are going-ongoing. You know, the frequency is not set, like, monthly or quarterly, but it is occurring at a frequency that is higher than quarterly and maybe not as high as monthly in order to engage that group and that 'broder'-broker community in the operational aspects of our relationship.

Mr. Kinew: Could I ask to-or could I ask, you know, the gentlemen to undertake to provide the membership of that committee? Is that something they could do?

Mr. Sullivan: Sorry, muted.

Sure. Not a problem. [*interjection*]

Mr. Chairperson: Mr. Kinew.

Mr. Kinew: I apologize, Mr. Chair. Yes, it's a-the move to online services pose challenges for the best of us, I think we could say that-not calling myself the best, for the record.

Just want to follow up on the point Monsieur Herbelin made where he said that the presentation to the board on the deal with IBAM happened on October 1st. I'm looking at a Free Press article that

says Mr. Graham's last day on the job was September 30th.

So why was the deal brought forward the next day after Mr. Graham departed?

Mr. Sullivan: That was a regularly scheduled board meeting that was set a year in advance. Timing just happened to coincide. But, again, Mr. Graham had already made his intentions known to myself.

Mr. Kinew: Okay, thanks.

So just to be, you know, perfectly clear, so there was no—there—Mr. Graham's departure had no impact on the timing of that arrangement being brought forward to the board of MPI, is that right?

Mr. Sullivan: You are correct.

Mr. Wharton: I've been trying to get recognized for a while. I apologize. Maybe—I don't know if you can see me well enough or not, but thank you for allowing me to put some words on the record.

The member—the Leader of the Opposition was asking earlier, and I just wanted to provide some clarity to the members online today, and we are—a letter was sent directly to the Deputy Minister of Crown Services by Mr. Finkbeinder [*phonetic*] on December 3rd, which I would be willing to table for the members.

I just want some direction, Mr. Chair, on how we can go ahead and do that and make sure that the members are able to get a copy of this letter. Looking for some direction.

Mr. Chairperson: Again, if we can just send that to the moderator, we can distribute that to everyone.

Mr. Wharton: Okay, thank you, Mr. Chair. We'll do that right away.

Mr. Sandhu: Good morning, everyone, and welcome to Manitoba, Mr. Herbelin. I'm sure you like the winters. Chicago and Manitoba winter is not that much difference; it's a windy city in Chicago, and we are a windy city here in Manitoba too.

So I want to begin by discussing the top issue lately that has emerged in the media, that is, ending of the long-standing agreement with the Manitoba Motor Dealers Association and Automotive Trades Association, effective June 13th. I want to give you an opportunity to tell the committee why MPI decided to not enter into a new agreement with them.

Mr. Herbelin: Thank you, Mr. Sandhu, and thank you for your good wishes.

Historically, MPI and automotive trades associations—as we refer the Motor Dealers Association and Automotive Trades Association, or MMDA and ATA in short—have entertained a relationship of negotiating terms and compensation items as part of a global industry agreement, which were then reflected into individual light vehicle acquisition agreements with individual shops. So for the last number of years we've had not only an industry agreement between those associations and MPI, but also individual agreements between the shops and MPI.

The reason why MPI has decided to move away from an industry agreement and focus solely on individual agreements with the shops, as we've had in the past, is simply an evolution of best practices in that field. Across Canada, in both Crown corporation jurisdictions as well as private market jurisdictions for automobile insurance, the trend has been to move away from those industry agreements.

* (11:00)

The last jurisdiction other than Manitoba that entertained an industry agreement with associations was our neighbour to the west, Saskatchewan, but SGI and the trade over there also moved away from that practice earlier this year. So, really, MPI is moving with the new trends, and those are essentially driven by the increased, you know, legislation and strengthening of enforcement and general, I think, awareness and concerns around anticompetitive practices, price fixing risks and all sorts of potential cartel-forming type mechanism in any given industries.

And so having associations setting price for certain products or services is certainly one of concern for MPI to be associated with, but more importantly for the associations and the members they represent, a more direct potential implication that we made those associations aware of at the end—or beginning—I think end—and beginning—end of 2020 and beginning of 2021 for their awareness. And as we went through negotiations with those associations, we insisted that this item will have to be taken into consideration more for their benefit than ours directly, but certainly with a concern of MPI not to be associated with any sort of price-fixing mechanism across an industry.

Mr. Sandhu: So could you please explain what MMDA and ATA were requesting during the negotiations?

Mr. Herbelin: The negotiations between the parties are discussion items that are not elements that can

be made public. This is a part of the agreement that we have with those parties, so I cannot disclose the elements of the discussions that happened between ATA and MMDA and MPI.

I can say, though, that eventually we are in an arbitration process as we speak and that brings two things to mind, is (1) I cannot discuss the matters that are being brought to arbitration, but as part of an arbitration process certain documents are being made public, and files. So there's a way to find some information there.

Mr. Sandhu: What would be the implication—have been for ratepayers had MPI entered into an agreement with the MMDA and ATA that met their request, what they were asking for?

So has any analysis done on their request? What the rates would have been? Like, how are the rates arriving?

Mr. Herbelin: Certainly, an item of consideration for us is to understand what is the financial health of the repair—the collision repair industry in Manitoba. All prime duty and interest is to protect Manitobans' interests, to providing exceptional coverage and service and maintain affordable and stable rates.

And it is also our concern in—at least our moral duty, if not a legal mandate, to making sure that our key partners, including the repair—the collision repair industry is doing okay, is doing fine and we can provide a viable and sustainable repair service to Manitobans across the province over time.

So with those elements in mind, MPI conducted research with the help of a third party to understand whether the collision repair industry in Manitoba is healthy, and to what extent. We also looked at the compensation rates that are being paid to the members of that industry. And we concluded, based on the factual evidence, that Manitoba is already paying the second highest labour rates to the industry compared to other jurisdictions that are the largest jurisdictions in Canada, including BC, Alberta, Ontario, Quebec, but also Saskatchewan.

Saskatchewan pays significantly higher rates, and we are aware of that. It has also been a major argument of those associations that say, hey, why are we not getting the rates our neighbours to the west are getting? I think it's a fair statement, but it's not necessarily a representation of actual facts as far as profitability goes and as far as how other jurisdictions are indemnifying that industry.

To the notion of labour rates, we also looked at, are we paying the right things? Are we giving the right number of hours in the repair estimates to members of the trades to generate sufficient revenues to cover for their hard work and important work?

And here, again, comparisons were made between what Manitoba does and what other jurisdictions are doing. The leading estimating software provider in Canada that has data all across Canada confirmed that the practices that are in place with MPI in Manitoba are perfectly fine and comparable, and they were very comfortable, actually, with our practices on that front. So we are not only paying the highest rates in Canada after Saskatchewan, we do apply the right best practices and reimbursement procedures that are in place in that industry.

And looking at how labour rates evolve over time compared to inflation, we always kept the labour rates and indemnification to the trades above inflation levels. Only in recent years the lines starting crossing and we realized that we needed to provide an increase in our hourly rates, and we certainly took that into consideration and offered an additional compensation level that was factoring that aspect into our considerations.

Mr. Sandhu: Thank you for that answer.

Let me just put it this way: like, if we have to pay what Saskatchewan is paying, which is \$92, as you had told us earlier, what would have the rate to be, like, for the ratepayers?

The rate—I'm sure probably we have done our own research on this. Let's say happens we are paying a rate, \$92 an hour. Current rate is around \$74, I think it is. So how much more, the ratepayers, should have been we paying if we have this rate at \$92 an hour?

Mr. Herbelin: Thank you for the question.

The actual ask of the associations what—was not only an increase in rates to a number close or slightly above \$90 for one of the rate categories—there are several other rate categories that play into that as well, including paint, material and others—but also some estimating standards. There's a very large number of different procedures and standards that are being 'gramerly' rated for. Some provinces are indemnifying those at different levels or not at all. And when you put things in balance overall, these things come to equation.

But the ask of the association was kind of to raise that balanced set of standards to the maximum,

almost, of all categories. And when you combine the rate increases as well as the increase in paying for certain procedures and operational standards, the overall ask was quantified by MPI to be in excess of \$100 million per year on a recurring basis each and every year—so not just a one-off.

And if you just put that in relationship to our net earned premiums, that has a significant impact on insurance rates for Manitobans and will have a double-digit impact on the rates in terms of by how much we would need to increase insurance rates.

Mr. Sandhu: Thank you for that answer; \$100 million is lots of money, I'm sure.

* (11:10)

It's—and also, do you think MPI will enter into a new agreement with ATA or MMDA in the future?

Mr. Herbelin: I thank you for the question, Mr. Sandhu.

And as you say, \$100 million is a lot of money, especially when you compare that to the amount that we typically pay for repairs, which is a 60 per cent—six-zero per cent—increase. And I always wonder, if I was going to the board chair and say I want a 60 per cent increase on my wage, immediately, would he agree to it? I'm not sure what their response would be.

But having said that, we are sharing the same interest between MPI and the repair trades. We want to have Manitobans drive cars safely on our roads. When those cars are damaged, we want them to be able to access a repair network that is repairing those cars in a technically sound and safe way such that those cars are operating safely on the roads.

We certainly want to continue to work with the repair trade. We want to sign renewed individual agreements when that is—will be possible with individual shops, making sure that we have a relationship and we can provide the direct repair program to them such that Manitobans can just drive into an accredited repair shop, get an estimate, get it repaired on, and MPI is paying the bill directly to the repair shop, and that is the best service we can provide to Manitobans.

I believe that the interests and the willingness of achieving that outcome is shared between MPI and the trades, the shops, as well as the associations, and I also believe that we have come to an understanding with the associations and members of the trade that a—MPI

will continue to work with the associations and consult them on very important aspects of the repairs and compensation and other items, as this is done with other very important partners, and that we will continue to have an agreement in place between MPI and the individual shops.

Mr. Sandhu: Thank you for that answer, Mr. Herbelin.

Could you explain what the implications are for ratepayers by choosing the new road of entering into an agreement with individual repair shops, both positive and negative?

Mr. Herbelin: Mr. Sandhu, I did not understand the full question. May I kindly ask you to rephrase it?

Mr. Sandhu: So I just want to ask what are the—like, could you explain what are the implications for ratepayers with choosing the new road of entering into an agreement with individual repair shops, both positive and negative.

So what will—such as myself, going to get a car fixed at a private shop, is there positive—is there any difference between what is happening now and what is—will happen in the future, positive and negative effects, with these individual agreements?

Mr. Herbelin: Thank you, Mr. Sandhu, for clarifying.

Ratepayers, Manitoban drivers will continue to benefit from the same service of direct repair for those shops who sign an individual agreements.

As a point of clarification, as I mentioned before, we already have individual signed agreements with the shops, and the approach going forward is to maintain that individual agreement between MPI and the repair shops individually.

Mr. Sandhu: As Mr. Herbelin said that there are a few agreements already signed, can Mr. Herbelin explain how many agreements or how many shops are—came to an agreement with MPI in relation to this new mechanism?

Mr. Herbelin: We disclosed publicly, earlier on, that more than 100 shops had already signed a new agreement.

Mr. Sandhu: Thanks for that answer.

Can you explain how many are autobody and how many are, like, say, glass repair shops out of 100?

Mr. Herbelin: That is a question or a point that I cannot answer, Mr. Sandhu. And we have not provided that answer to the repair industry either so far.

Mr. Sandhu: Out of this 100-plus that has signed, how many are affiliated with MMDA or ATA?

Mr. Herbelin: That is, I guess, a question that could be asked to the associations, but I think they conducted their own surveys and due diligence in understanding how many of their members would have already signed with MPI.

And I would say that out of the 100-plus shops that signed already with us, the proportion of these that are members of the two associations is low.

Mr. Sandhu: Can Mr. Herbelin share the percentage of shops, those are affiliated with the MMDA or ATA?

Mr. Herbelin: I cannot provide that answer, Mr. Sandhu.

Mr. Sandhu: Is it a standard hourly rate for every single agreement entered into independently?

Mr. Herbelin: May I again ask that you reformulate, Mr. Sandhu?

Mr. Sandhu: Okay, currently, there are, like, say, 100-plus shops already signed an agreement with MPI. Is every one of them has the same hourly rate for all the garages, or each garage is a different rate—like, hourly rate is different?

Mr. Herbelin: Thank you, Mr. Sandhu, for reformulating.

The agreement in front of the shops is the same for each and every one of them, and should we do—should we make any amendments to the agreement in terms of terms, conditions or compensation, these would apply to all shops eligible for these changes.

Mr. Sandhu: In case, like, say, in the future, when we come to an agreement with MMDA or ATA, this individual agreement that has been signed will align with those ones? Or it's going to be still two separate agreements at that time?

Mr. Herbelin: We are currently going through an arbitration process that does not—term that has not ended, and for this reason I just cannot provide a clear answer to that, Mr. Sandhu, at this point in time.

I see the minister raising his hand.

Mr. Wharton: As the member from Maples is aware, we just came through Committee of Supply, and the line of questioning from the member is taking a similar role. And he knows during Committee of Supply we had this discussion at length, and he also understands and appreciates that the negotiation is

between MMDA and ATA along with MPI are in the form of—the negotiations that are contracted and talked about are done in their manner and privately done, not shared publicly. That would obviously put at risk the negotiation process. And I'm sure the member would agree that that's not the way that any deal should be struck.

And I know in—whether you're in private business or public business, if you're negotiating, those negotiations are usually done between the parties that are directly involved, and certainly the outcome is shared publicly and will be upon the conclusion of these negotiations.

Mr. Sandhu: Well, I just—well, at—currently, I'm sure everybody knows—even MMDA or ATA knows what are the rates—new rates are. And even I can probably access from one of the body shops what are they getting now compared to what they were they were getting earlier.

* (11:20)

Can Mr. Herbelin explain what is the rate that is being paid with the new agreement to these shops?

Mr. Herbelin: Certainly, thank you for the question, Mr. Sandhu.

The rates are known by all repair shops in Manitoba that have been now working with MPI over the last months and years, and the rates are known to the associations.

The increase in total compensation—so, again, total compensation is a mix of the labour rates, of the compensation rates and some of the estimating standards and some of the indemnification that goes with it. But overall, we quantify the increase to be an increase of 6.7 per cent compounded over two years between 2021 and 2022.

Mr. Sandhu: Just want to move a little bit to a—different from MMDA and ATA. How many employees are currently working in Cityplace?

Mr. Herbelin: Thank you for the question.

I will answer your question, Mr. Sandhu. Just before I do that, I would like to follow up on a prior item that was relating to the IBAM operational committee and specifically looking at the Nova improvement or developments. The committee is formed by 10 people, six members of IBAM and four members of MPI. The members for IBAM were chosen by IBAM, and I will not disclose names here, I don't think I am expected to, but should members in the

audience be interested in having further details, they can potentially reach out to IBAM to see if they are happy disclosing those names.

From MPI's side, the people that are on the committee are essentially the people that are close to the broker ongoing operations, as well as the Nova development activities.

Now, back to your question, Mr. Sandhu, about how many people are currently working at Cityplace. I think I need to ask whether you are meaning people that are, outside of a pandemic, typically expected to be assigned to the Cityplace building or if you mean the people that are effectively currently working out of the Cityplace building during the code red restrictions that we are enduring.

Mr. Sandhu: Yes, both. Normally, pre-pandemic, how many people were working at that time, and currently how many people are working now?

Mr. Herbelin: Thank you for the clarification.

In terms of the number of people that are working in Winnipeg, we are talking about roughly 1,500 people, out of which we have a number of people that are in the Cityplace building, a number of which are at our physical damage research compound on Plessis Road and we have a number of service centres with also a fairly large number of employees. So I can follow up, Mr. Sandhu, on the exact number of people assigned to Cityplace; I don't have that in front of my eyes.

But as far as the current situation is concerned, with the pandemic, it's a very few individuals that are here, essentially, for roles that are not deemed to be able to perform their job from a remote location, for example, the mail room or the warehouse. So we talk about a very few number of individuals that are here these days.

Mr. Sandhu: How many MPI staff from, like, all locations, are currently working from home compared to in person?

Mr. Herbelin: I will have to follow up on that question, Mr. Sandhu.

Mr. Sandhu: Is any space in your Cityplace location currently rented or anticipated to be rented out in the future?

Mr. Herbelin: Thank you for the question.

MPI is the proud owner of Cityplace, so not only is Cityplace an important work environment for our staff, also we have an obligation to making sure that

we make good use of the building for the purpose of being an owner of it. There's a number of commercial office properties on lease, and there's a number of retail locations on lease.

We have—we experience currently approximately a 30 per cent vacancy rate on the retail space. We have a number of spaces available on the commercial office side of things as well. But we also entertain discussions with potential new tenants that I cannot discuss here, but we are certainly concerned in making sure that we can generate revenues that are benefitting, at the end of the day, also ratepayers.

Mr. Sandhu: So the current space that MPI is using right now, MPI employees are using right now, is that also being looked at to be rented out or leased in the future or now?

Mr. Herbelin: Mr. Sandhu, you bring, I think, a very important point.

With the pandemic and the need for us to offer a more flexible work environment going forward as we predict this will be an expectation and table stakes from many employees—not just MPI but across many different industries and across the world—we certainly will review the needs of the space that we need to make available for our staff versus the space that can be released for, you know, a potential lease out and revenue generation.

We don't have specifics at this point, so we are thinking about it as we go through the pandemic and start thinking in terms of how the future work model will look like, making sure that we can offer a bit more flexibility to our employees, and that way employees can really make the best use of their time to perform their duties. But we don't have a clear and specific plan at this point that I can share with you.

Mr. Sandhu: This may include some of the employees whose—who are working at Cityplace now being moved out to—maybe to other locations such as any other six or seven outlets that we have at—in Manitoba and in Winnipeg here?

Mr. Herbelin: We do not have such plans at this point, Mr. Sandhu.

Mr. Sandhu: Does Cityplace generate any revenue for MPI? If so, how much?

Mr. Herbelin: The short answer is yes, and in terms of the amount, we'd have to follow up on that question.

Mr. Sandhu: So, Mr. Herbelin, are you taking—undertaking it to provide this amount to us?

Mr. Herbelin: Certainly.

Mr. Sandhu: Mr. Herbelin, when does MPI intend to make a decision regarding its ownership of the Cityplace? With seeing MBLL beginning efforts to sell, lease their Buffalo Place office, do you intend to do the same here too?

Mr. Herbelin: At this point in time, we have no intention of not owning and occupying Cityplace as we do today.

Mr. Sandhu: In case if you decided to sell it, do you think you need government approval on that one?

Mr. Herbelin: As I mentioned, at this point, we have no intention, as expressed.

Mr. Sandhu: Has government communicated anything to MPI, verbal, written or otherwise, regarding Cityplace?

Mr. Herbelin: Not to me at least, since I've been here. So the answer from my perspective is no.

* (11:30)

Mr. Sullivan: The answer from my perspective is no as well.

Mr. Chairperson: Mr. Sandhu. Mr. Sandhu, I think you're muted.

Mr. Sandhu: Thank you.

Has the corporation received any new mandate letter or directive since the April 2019?

Mr. Herbelin: I did not fully hear the question, Mr. Sandhu. If you would kindly repeat.

Mr. Sandhu: Has the corporation received any new mandate letter or directive since the April 2019 one, the one for—IBAM one?

Mr. Herbelin: I suppose I understood the question in the following way: whether MPI has received any mandate or directive from government since which one you refer back in April 2019.

I would have to go back to our registry to see what directives or otherwise we have received, but if you refer to any sort of intervention, interference of government in any of the processes that are ongoing, that would be a clear no. But it is part of government's job to provide mandates to MPI in a number of matters as part of our regular day-to-day operations and performance of—or purpose of being the public

automobile insurance and driver licensing service for Manitobans.

Mr. Sullivan: I believe that all the mandates and directives are public documents, so you should be able to find it from there, Mr. Sandhu.

Mr. Sandhu: Could you explain what the impact of government's base freeze directive with—be on any upcoming negotiations and how many people will be impacted?

Mr. Herbelin: Mr. Sandhu, I'm sorry to ask you again, but can you please just reformulate the question?

The impact—I heard how many people impacted, but in terms of what?

Mr. Sandhu: This is related to a government directive coming related to a base freeze for the employees—MPI employees.

Mr. Herbelin: Yes, I'm taking that question.

In terms of the wages and how we handle negotiations of bargaining with the MGEU, MPI has definitely received and accepted government's collective bargaining mandates in light of the upcoming negotiations. We are negotiating with the MGEU as we speak, so I cannot disclose any specifics here, but as far as a general wage increase, the mandate has been to basically keep it to a level of zero for all staff.

Mr. Sandhu: Thank you for that answer.

I'd just like to talk about online auctions now. It appears MPI has recently moved their auto auctions online. Could you tell the committee how much you anticipate in saving as a result?

Mr. Herbelin: Thank you for the question, Mr. Sandhu.

I think there's a number of elements that are part of that shift that we made in terms of the salvage auction. First of all, we will generate a number of operational efficiencies by operating an online system as opposed to having to run in-person auctions with the fees associated to that, so we are talking roughly about an efficiency of \$400,000 per year on that front.

But, more importantly, is the implementation of a new online auction platform is allowing us to create more value and resell vehicles at a higher price point. And for one simple reason, to start with, is that with the online process there is a way to do better marketing around each and every vehicle—clean them

up, put pictures on the website, as opposed when you sit in an auction room in person, you may not see the vehicles or you may not see all of the elements of that vehicle.

So that factor alone is helping us increasing the value, and that is really what benefits most to Manitobans in terms of the value generation.

Mr. Sandhu: Thanks for that answer, Mr. Herbelin.

Can you also explain with the going online, how many—what percentage of the cars now are sold out of Manitoba?

Mr. Herbelin: I don't have an answer to that question, Mr. Sandhu. Happy to follow up.

Mr. Sandhu: Impact Auto Auctions appear to be offering the online services. How much were they contracted for? Was this a tendered contract?

Mr. Herbelin: This was tendered, certainly.

Mr. Sandhu: Lost my papers. One second, please.

We asked the minister previously; he didn't seem to be aware. So I'm just wondering, if you know, is Impact Auto is an American-owned company?

Mr. Herbelin: We have contracted with Impact Auto Canadian subsidiary. That's all I can say about this firm.

Mr. Sandhu: What—this a American company or a Canadian company, in general?

Mr. Herbelin: MPI has contracted with a Canadian company.

Mr. Sandhu: It appears that the only way to participate in the online auction is to pay for the membership. Online accounts are free, but to actually participate, you need to pay a cost of \$200 as an individual and \$100 if you are a business.

Have Manitobans raising any concerns regarding the cost to participate?

Mr. Herbelin: We are not aware of any concerns, and this process and this platform is the leader in Canada and widely adopted best practice.

Mr. Sandhu: Does any of that \$200 paid to—goes to MPI, that we are paying \$200 or \$100 that we are paying?

Mr. Herbelin: I have to take this matter under advisement.

Mr. Sandhu: Also, Mr. Herbelin, Manitobans—after the Manitoban is successful in the auction, they have

to pay an additional buy fee. Does that fee stay with MPI?

Mr. Herbelin: I would take that matter under advisement as well.

Mr. Sandhu: After September 20, 21st, Impact will begin charging an online fee for successful individuals in Manitoba. How much do you anticipate these fees will be, and what it is needed for?

Mr. Herbelin: Mr. Sandhu, can I kindly ask you to clarify which fee you're referring to?

* (11:40)

Mr. Sandhu: This was the same fees that I was saying earlier, the buying—this is a—the percentage that when we are buying a vehicle, there's a certain percentage that's being charged.

Like, say if you're selling a vehicle between \$100 and \$700, there's a percentage of that money goes to—is—it goes to MPI, or does it go to auto impact? I don't know, but again, this is two sets of different pieces: to individual is different and for the business is also difference.

Is—where the money goes, plus why are we paying that fees? Just a question.

Mr. Herbelin: Thanks for that clarification, Mr. Sandhu, and I will provide or the team will provide a wholesome answer on this topic under advisement.

Mr. Sandhu: Do auto impact has any offices in Manitoba?

Mr. Herbelin: I'm not aware of that, Mr. Sandhu.

Mr. Sandhu: Because of the online services, is there any jobs are lost because of the online services?

Mr. Herbelin: Not to my knowledge, Mr. Sandhu.

Mr. Sandhu: I just want to go back to Nova.

Sorry, earlier we have seen it's going to be costing \$115 million for the project. Is—how much so far has been spent on the—on Project Nova?

Mr. Herbelin: So far we've just started with this project, so it's a small amount. It's a few millions, and not a large amount at this point. But we definitely plan on spending more in the current fiscal year.

Mr. Sandhu: Also, you told us earlier that in 2024, damage claims will be filled online.

Can you just elaborate a little bit more what that means is?

Mr. Herbelin: What that means is Manitobans will have an opportunity to notify claims online, to consult the claim status online, to see all sorts of information relating to the claim and the interactions in relation to the claim through online channels.

Mr. Sandhu: Is there will be any job impact to the people who are working at MPI right now, and is there going to be any job impact?

Mr. Herbelin: I suspect you ask this question in relation to the implementation of Project Nova, and if that is the case, I anticipate that there will be job impacts, of course, because we bring in a new technology and you have heard MPI officials say previously that the current technology that we have is outdated and that we need a certain level of skills and expertise to maintain the current system's availability and evolution going—that, you know, are difficult to source and retain. And those skills will no longer be needed after Nova is fully implemented.

So we will need to have new skills in place, people that also better understand data and data analytics. And I see that as a natural fluctuation over the course of a number of years that will happen.

Maybe a question you might have also is will there be any impact beyond the IT capabilities on operational jobs like, oh, maybe we can do more transactions online and we need less people in MPI to process those transactions. Let me say the following: for the driver licensing and vehicle and insurance registration transactions, 85 per cent of those transactions are conducted at the broker, and therefore only 15 per cent is conducted by MPI, so we don't anticipate a major impact on those transactions here.

In terms of claims, this is exclusively being dealt by MPI, and there could be potential synergies, efficiencies that are generated through more automated processes. And again, here, should there be any efficiencies derived from that, we would do our best to absorb those job transitions through attrition. Over the next three years, we have over 20 per cent of our employee population that is expected to be retiring or at least be eligible for retirement. So we have a certain turnaround and attrition in our employee base that we hope will certainly contribute very significantly to any sort of potential efficiencies that are resulting from the implementation of Project Nova.

Mr. Sandhu: With this new online service, will this only be in English and French, or is there any other languages will be, like, put into use, such as I was

looking at Saskatchewan. They are using a different language; you can communicate whichever language you want. You can see and you can read and you can—so just, same question: Are—is this just English and French only, or is there different languages?

Mr. Herbelin: Thank you for the question, Mr. Sandhu.

I will address your question, but first, I would like just to follow up on the prior item related to the head counts and number of people working in our different premises.

Out of 1,885 employees—and speaking here of head count and not FTEs—approximately 400 employees, which is 21 per cent of all MPI employees, attended to MPI premises monthly. Of these 400 staff, approximately 190 did not have the ability, for various reasons, to work remotely. Of those who worked on-site, many attended temporarily or on a drop-in basis and did not remain on the premises for the full duration of the day.

The number of employees attending MPI premises falls on weekends when, on average, approximately 130 employees, or 7 per cent, attend MPI premises.

MPI has directed employees who have the ability to work from home to do so. Management who have staff attending to work on-site have the ability to attend premises for work on a rotational basis to support these employees.

With regard to your question about languages, we have not made determinations at this point in terms of all options that will be made available to Manitobans.

Going back to the comment I made before, the question asked—raised by Mr. Kinew, MPI will follow a staged approach in rolling out the new systems and online services and follow an approach of minimal viable products. And following that sort of logic, we anticipate, certainly, that we will stock minimal viable products provided in the official languages of the province.

Mr. Sandhu: Another few questions, Mr. Herbelin.

How much are we—like, we know earlier you said we will be paying approximately \$20 million savings—actually, \$20 million savings to the ratepayers with this new agreement.

How much are we paying to brokers right now?

Mr. Herbelin: The amount of commissions in dollar amounts that we pay to brokers currently is in the range of 80 to 90 million a year.

Mr. Sandhu: Thank you for that answer. The final question that I have is with this Project Nova and \$115 million ratepayers' money spent on it, and even though when—if I were to do an online transaction, I still—2.3 per cent of the money still will go to the brokers. What are your thoughts on this one?

* (11:50)

Mr. Herbelin: My thoughts on this are the following, Mr. Sandhu: when we look at the needs of Manitobans, we understand that some Manitobans want online services and some of them will use maybe exclusively online services when available. We understand that a number of Manitobans just want to deal with our brokers and never will want to touch a mobile phone application nor a computer to do any transactions, and we would have a large number of the population in between that at times use technology and at times not.

So what that tells me is MPI—being the monopolistic, public automobile insurance corporation for Manitobans, we have to be inclusive of all Manitobans, and we cannot exclude part of the Manitoban population to maybe be more efficient on online services and not providing support.

But I want to say with that is providing online services in addition to in-person services is a choice and an improvement to the offering we can make to Manitobans, but we have to make sure that there is someone that can answer questions for the Manitobans that want to use an online service. We want to make sure that if I change my address online but later on I want to review my coverage on my Autopac and extension coverage, I can speak to a broker, either phone the broker or visit the agency to do that transaction if I wish to have the advice of a broker.

So it's not because I may be online one day or I may be online in the first place that I don't need, necessarily, to have the support of a broker. For that reason and also in order to—making sure at least until we know to what extent Manitobans are adopting online services and how this whole new transition unfolds, that we maintain a network of brokers across Manitoba available to all Manitobans, and that justifies the commission on online transactions to making sure that brokers have (a) the infrastructure to provide the service related to product advisory, to

provide—or support in terms of payments or any following transactions for these customers.

So that is maybe not intuitive. I hear some people say, why would you pay commissions to people who do transactions online? It's maybe how I would react also in the first place, but when I start understanding that, actually, we need to maintain a network in order that I can have access to those advisory services, this support, that is the reason why. And over time, this will likely change. But, again, if we have online services available only in two years from now and we need to see how Manitobans are actually adopting those services, to what extent percentage-wise but also for what type of transaction versus not, we will be in a better position, MPI together—working together with the association of brokers to determine how the model, longer term, may look as we continue to learn from how this evolves.

Mr. Sullivan: Just going to chime in with a quick little comment to add to what Eric has said.

You know, I'm sure we're all want what is in the best interests of all Manitobans. Brokers are, by their nature, insurance professionals and require training and have an expertise. So I want to delve into this notion about the idea that they're paid for no work, because it's simply not a true narrative. There's been various studies that show that 80 per cent drop out of an online transaction and they pick up they phone and they phone somebody.

Now, with the millennials coming along or the newer—Gen Y, Gen Xs, whatever, that's probably—that number's going to decrease, but the reality is they still have to phone somebody. So now they'll have a broker attached to—and they'll be able to pick up the phone and speak to that person as opposed to MPI creating a department of—something of a call centre where they would have to call to there.

Brokers will also be supplied the names of those who complete online transactions. So there's a very good likelihood that they will review and ensure proper coverage is in place. But I think the most important part of this, quite honestly, is by keeping insurance professionals—the brokers—involved, it does not shift the burden of insurance knowledge to Manitobans; rather, that knowledge is kept within the broker community. So I—you can always reach out to a broker.

There's a recognition, of course, that there's less work required; hence, the less—the decreased commission will be paid for online transaction. But to

simply state that they're paid for doing nothing is truly a false narrative. Anyhow.

Mr. Chairperson: Mr. Sala? Mr. Sala? Can you hear me, Mr. Sala? [*interjection*] Mr. Sandhu.

Mr. Sandhu: Thanks for that answer.

And earlier, when we were talking about MMDA and ATA, we heard that practice is now to sign a contract with individual shops, and on the IBAM, we want to have a one contract, central contract. Maybe Dr. Sullivan can explain why there's two different things we are doing and different things we are thinking right now and doing it.

On the one hand, we—even though we are engaging with the ATA, MMDA, but on the other hand, we also signed a contract with the IBAM.

Mr. Wharton: Just in light of the time—and I certainly appreciate the question—and I mean we know that Dr. Sullivan does, from Mr. Sandhu. We have just shortly under three minutes to finish up here today, and I believe it was the will of the committee to move forward and ensure that the budgets—or the, pardon me, the financials, annual reports for years of '18, '19 and '20 are passed today.

So I would ask the Chair and committee to move forward with the question on the three fiscals.

Mr. Chairperson: Are there any further questions? Anybody else need to be recognized? Mr. Schuler?

Mr. Lamont.

Mr. Dougald Lamont (St. Boniface): Yes, I did want to ask a question, if it's possible, if I have leave.

Mr. Chairperson: For the information of the committee, Mr. Lamont has indicated that he would like to ask a few questions.

The committee has agreed to sit for three hours, and that time is shortly due to expire, and I still need to put the question on the reports.

What is the will of the committee?

An Honourable Member: Put the question on the reports.

Mr. Chairperson: Is that agreed, to put the question on the reports?

Some Honourable Members: Question.

Mr. Chairperson: Seeing no further questions, I will proceed to putting the question on each report.

Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2018—pass; Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2019—pass; Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending March 31st, 2020—pass; Annual Financial Statement of the Manitoba Public Insurance Corporation for this fiscal year ending February 28th, 2018—pass; Annual Financial Statement of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2019—pass; Annual Financial Statement of the Manitoba Public Insurance Corporation for the fiscal year ending March 31st, 2020—pass.

The hour being 11:59, what is the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 11:59 a.m.

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