

# Quarterly Financial Report

3rd QUARTER

Nine months ended  
**December 31, 2020**



MANITOBA  
PUBLIC INSURANCE

## Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the third quarter ended December 31, 2020 included herein and the 2019/20 annual audited financial statements and supporting notes and the Corporation's 2019 Annual Report available at [mpi.mb.ca](http://mpi.mb.ca). Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Comparative information reflects the period of April 1, 2019 to December 31, 2019 due to the change in the Corporation's year-end as detailed in Note 2. Any comparative information that reflects the previous quarterly period of March 1, 2019 to November 30, 2019 is noted with an asterisk.

# Q3 Corporate Performance Measures and Targets

Year-to-date third quarter results 2020/21

Financial Performance			
<b>Net Income after Surplus Distribution</b> <i>In millions</i>		<b>\$162.3</b> <small>PAST Q3 2019/20</small>	<b>Asset-Liability Management – Interest Rate Impact on:</b> <i>In millions</i>
<b>\$79.2</b> <small>ACTUAL Q3 2020/21</small>	<b>\$77.1</b> <small>TARGET Q3 2020/21</small>	<b>\$81.0</b> <small>ANNUAL TARGET 2020/21</small>	<b>\$139.3</b> <small>ACTUAL Q3 2020/21</small>
<b>Net Premiums Earned</b> <i>In millions</i>		<b>\$1,017.7</b> <small>PAST Q3 2019/20</small>	<b>\$178.7</b> <small>ACTUAL Q3 2020/21</small>
<b>\$1,050.5</b> <small>ACTUAL Q3 2020/21</small>	<b>\$1,051.5</b> <small>TARGET Q3 2020/21</small>	<b>\$1,394.0</b> <small>ANNUAL TARGET 2020/21</small>	<b>(\$39.4)</b> <small>ACTUAL Q3 2020/21</small>
<b>Net Claims Incurred</b> <i>In millions</i>		<b>\$704.8</b> <small>PAST Q3 2019/20</small>	<b>\$25.8</b> <small>ACTUAL Q3 2020/21</small>
<b>\$755.3</b> <small>ACTUAL Q3 2020/21</small>	<b>\$774.3</b> <small>TARGET Q3 2020/21</small>	<b>\$1,043.4</b> <small>ANNUAL TARGET 2020/21</small>	<b>(\$7.9)</b> <small>ACTUAL Q3 2020/21</small>
<b>Loss Ratio</b> <i>(Net Claims Incurred / Net Premiums Earned)</i>		<b>69.3%</b> <small>PAST Q3 2019/20</small>	<b>\$33.7</b> <small>PAST Q3 2019/20</small>
<b>71.9%</b> <small>ACTUAL Q3 2020/21</small>	<b>73.6%</b> <small>TARGET Q3 2020/21</small>	<b>74.8%</b> <small>ANNUAL TARGET 2020/21</small>	<b>3.69%</b> <small>PAST Q3 2019/20</small>
<b>Loss Ratio excluding Catastrophic Claims</b>		<b>69.2%</b> <small>PAST Q3 2019/20</small>	<b>10.57%</b> <small>ACTUAL Q3 2020/21</small>
<b>71.9%</b> <small>ACTUAL Q3 2020/21</small>			<b>2.23%</b> <small>TARGET Q3 2020/21</small>
			<b>2.98%</b> <small>ANNUAL TARGET 2020/21</small>
Organizational Health			
<b>Capital Adequacy (Minimum Capital Test)</b>			
<b>Basic</b>			
<b>100%</b> <small>ACTUAL Q3 2020/21</small>	<b>100%</b> <small>TARGET Q3 2020/21</small>	<b>79%</b> <small>*PAST Q3 2019/20</small>	
<b>Extension</b>			
<b>284%</b> <small>ACTUAL Q3 2020/21</small>	<b>200%</b> <small>TARGET Q3 2020/21</small>	<b>281%</b> <small>*PAST Q3 2019/20</small>	
<b>Special Risk Extension</b>			
<b>274%</b> <small>ACTUAL Q3 2020/21</small>	<b>300%</b> <small>TARGET Q3 2020/21</small>	<b>244%</b> <small>*PAST Q3 2019/20</small>	
Operational Excellence			
<b>Combined Expense Ratio</b> <i>(Claims Expenses + Operating Expenses) / Net Premiums Earned</i>		<b>1,829</b> <small>PAST Q3 2019/20</small>	<b>1,954</b> <small>ANNUAL TARGET 2020/21</small>
<b>19.9%</b> <small>ACTUAL Q3 2020/21</small>	<b>22.2%</b> <small>TARGET Q3 2020/21</small>	<b>21.0%</b> <small>PAST Q3 2019/20</small>	<b>1,791</b> <small>ACTUAL Q3 2020/21</small>
		<b>22.6%</b> <small>ANNUAL TARGET 2020/21</small>	<b>1,957</b> <small>TARGET Q3 2020/21</small>
			<b>1,829</b> <small>PAST Q3 2019/20</small>

\*Past year information is for the period ending November 30, 2020.

## Results of Operations

Manitoba Public Insurance reported Corporate net income from operations of \$258.8 million for the nine months ended December 31, 2020. The net income after surplus distribution is \$79.2 million compared to net income of \$162.3 million for the same period last year. This includes net income after surplus distribution of \$71.8 million (December 31, 2019 – \$107.2 million) from the Basic insurance line of business. Corporate net income decreased from the previous year by \$83.1 million due to:

- i) an increase in surplus distribution of \$179.5 million; and
- ii) an increase in claims costs of \$49.6 million; offset by
- iii) an increase in earned revenue of \$30.6 million;
- iv) an increase in investment income of \$107.5 million mainly due to higher unrealized gains on Fair Value Through Profit or Loss bonds of \$116.9 million, gain on sale of global low volatility equities of \$11.3 million and a recovery of previously written down AFS investments of \$13.4 million, offset by lower gains on sale of Canadian and U.S. equities and pooled real estate of \$14.6 million and \$10.8 million respectively; and
- v) a decrease in total expenses of \$7.9 million.

### Current Year and Last Year

Total earned revenues for the nine months ended December 31, 2020, increased from the previous year by \$30.6 million. This increase is primarily attributed to motor vehicle earned revenues and Special Risk Extension premiums which increased by \$24.2 million and \$7.5 million respectively. The increase in motor vehicle earned revenues is primarily due to the growth in the number of vehicles on the road in Manitoba and the value of those vehicles.

Claims costs for the nine months ended December 31, 2020, increased by \$49.6 million or 6.0 per cent compared to last year due primarily to an increase of \$107.7 million in bodily injury claims incurred offset by a decrease of \$57.2 million in physical damage claims incurred. The increase in bodily injury claims is primarily due to an unfavorable interest rate impact on unpaid claims of \$164.3 million compared to last year. The unfavorable impact on unpaid claims caused by changes in prevailing interest rates is largely offset by corresponding impacts on investment income through the Corporations asset-liability matching program. The \$57.2 million decrease in physical damage claims is due primarily to a decrease in collision claims incurred. Excluding the impact of changing interest rates, net claims incurred decreased year over year by \$136.1 million. Claims expenses increased by \$3.2 million or 2.9 per cent from the previous year, road safety and loss prevention expenses decreased by \$4.2 million or 43.4 per cent, primarily due to reduced driver education costs relating to COVID-19 restrictions.

Total expenses decreased by \$7.9 million compared to last year due primarily to decreases in operating expenses of \$3.7 million and \$4.4 million in premium taxes – due to impact of the premium rebate (surplus distribution).

### Retained Earnings

Net income from operations of \$258.8 million for the first nine months ending December 31, 2020, increased retained earnings offset by the surplus distribution which decreased retained earnings by \$179.5 million, resulting in closing retained earnings of \$771.1 million (March 31, 2020 – \$691.9 million). Retained earnings are comprised of \$512.2 million from Basic insurance (March 31, 2020 - \$440.5 million) and \$258.9 million from non-Basic lines of business (March 31, 2020 - \$251.4 million).

### Total Equity

Total equity of \$700.2 million (March 31, 2020 – \$647.0 million) are comprised of \$771.1 million retained earnings and \$70.9 million accumulated other comprehensive loss (March 31, 2020 - \$44.9 million accumulated other comprehensive loss).

### Capital Management

The Corporation's Board of Directors has approved risk-based capital adequacy target levels by line of business. Targets are based upon the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI) and the Minimum Capital Test (MCT). The MCT is a ratio of capital available to capital required and utilizes a risk-based formula to assess the capital adequacy of an insurance company. The Corporation's capital targets are determined based on the underlying risks and the competitive nature of each line of business.

The Corporation's Board of Directors' current capital target for Basic Insurance is 100 per cent MCT. Use of the MCT framework aligns with industry best practice and this target was selected to appropriately reflect the lower risk level of the Basic monopoly insurance program. On April 12, 2019, the Manitoba Public Insurance Corporation Act Reserves Regulation 76/2019 specified 100 per cent MCT as the capital requirement for Basic. In Order No. 176/19, issued December 3, 2019 the Public Utilities Board approved the Basic target capital level of 100 per cent MCT.

The Corporation ended the quarter with Basic MCT of 100 per cent which is at the target of the Reserves Regulation target of 100 per cent.

The Corporation's Board of Directors' current target for Extension is 200 per cent MCT. This target was selected to reflect the higher relative risk level of operating in a competitive environment, while also aligning with private sector industry average MCT ratios. The Corporation ended the quarter with Extension MCT at 284 per cent.

The Corporation's Board of Directors' current target for Special Risk Extension is 300 per cent MCT. This target was selected to reflect the higher risk exposure of commercial trucking fleets operating out-of-province. The Corporation ended the quarter with Special Risk Extension MCT at 274 per cent.

## Outlook

The Corporation remains committed to achieving its Corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

As approved by the Public Utilities Board, effective March 1, 2020, there was a 0.6 per cent overall rate decrease to average Basic insurance rates for the 2020/21 insurance year. On June 17, 2020, Manitoba Public Insurance filed its general rate application for the 2021/22 fiscal year with the Public Utilities Board requesting a provisional 10.5 per cent overall rate decrease. On October 9, 2020, Manitoba Public Insurance updated its financials in the general rate application for the 2021/22 fiscal year with the Public Utilities Board, requesting an 8.8 per cent overall rate decrease.

On December 16, 2020, the Public Utilities Board approved the requested 8.8 per cent overall rate decrease to average Basic insurance rates for the 2021/22 insurance year.

The requested 8.8 per cent overall general rate decrease does not mean that rates for all vehicles within each major class will decrease by this amount. Based on MPI's rate design, major vehicle classes will be impacted as follows:

- Private passenger (-9.4 per cent change)
- Commercial (-2.1 per cent change)
- Public (-3.7 per cent change)
- Motorcycle (+4.7 per cent change)
- Trailers (-11.3 per cent change)
- Off-road vehicles (0.0 no change)
- Total overall (-8.8 per cent change)

Over 1,130,988 vehicles (96.6 per cent) will experience either no change or a reduction in rates from the previous year. Rates paid by individual policyholders within each class will be determined based on their driving record, the registered vehicle (make and model and year), the purpose for which the vehicle is driven and the territory in which the policyholder resides. The breakdown of vehicles receiving a reduction, no change or an increase is as follows:

- 954,089 (81.5 per cent) of vehicles receiving a decrease in rate
- 176,899 (15.1 per cent) of vehicles receiving no change in rate
- 39,516 (3.4 per cent) of vehicles receiving an increase in rate

Manitoba Public Insurance is committed to keeping rates stable over the long term. Manitoba Public Insurance continues to have one of the lowest rates of year-over-year premium changes of all Canadian provinces.

## Condensed Interim Financial Statements

### Condensed Interim Statement of Financial Position

(Unaudited-in thousands of Canadian dollars)	<i>Notes</i>	<b>December 31 2020</b>	March 31 2020 (Note 2)
<b>Assets</b>			
Cash and cash equivalents	4	<b>124,408</b>	236,815
Investments	4	<b>3,540,123</b>	3,069,398
Investment property	4	<b>47,904</b>	48,798
Due from other insurance companies		<b>176</b>	389
Accounts receivable		<b>505,822</b>	485,567
Prepaid expenses		<b>7,245</b>	4,374
Deferred policy acquisition costs		<b>51,612</b>	51,240
Reinsurers' share of unearned premiums		<b>4,640</b>	218
Reinsurers' share of unpaid claims		<b>8,418</b>	5,368
Property and equipment		<b>110,880</b>	114,055
Deferred development costs		<b>42,208</b>	44,034
		<b>4,443,436</b>	4,060,256
<b>Liabilities</b>			
Due to other insurance companies		<b>568</b>	702
Accounts payable and accrued liabilities		<b>100,594</b>	85,591
Lease obligation		<b>7,038</b>	7,070
Unearned premiums and fees		<b>677,031</b>	696,966
Provision for employee current benefits		<b>26,001</b>	24,298
Provision for employee future benefits		<b>587,684</b>	448,660
Provision for unpaid claims	6	<b>2,344,276</b>	2,149,980
		<b>3,743,192</b>	3,413,267
<b>Equity</b>			
Retained Earnings		<b>771,143</b>	691,912
Accumulated Other Comprehensive Loss		<b>(70,899)</b>	(44,923)
		<b>700,244</b>	646,989
		<b>4,443,436</b>	4,060,256

The accompanying notes are an integral part of these financial statements.

## Condensed Interim Statement of Operations

For the periods ended (Unaudited-in thousands of Canadian dollars)	Notes	3 months ended December 31 2020	3 months ended December 31 2019	9 months ended December 31 2020	9 months ended December 31 2019
<b>Earned Revenues</b>					
Gross premiums written		348,823	336,636	1,047,830	1,016,644
Premiums ceded to reinsurers		(124)	(423)	(18,545)	(1,165)
Net premiums written		348,699	336,213	1,029,285	1,015,479
Increase in gross unearned premiums (Increase) decrease in reinsurers' share of unearned premiums		5,640 (4,531)	4,827 (4,318)	16,830 4,422	15,493 (13,268)
Net premiums earned		349,808	336,722	1,050,537	1,017,704
Service fees and other revenue <i>The Drivers and Vehicles Act</i> operations recovery		8,493 7,562	10,018 7,562	28,088 22,687	30,345 22,687
<b>Total Earned Revenues</b>		<b>365,863</b>	<b>354,302</b>	<b>1,101,312</b>	<b>1,070,736</b>
<b>Claims Costs</b>					
Direct claims incurred - gross		235,506	263,070	759,794	706,270
Claims recovered ceded to reinsurers		(3,722)	(418)	(4,477)	(1,461)
Net claims incurred		231,784	262,652	755,317	704,809
Claims expense		39,788	38,124	114,704	111,503
Loss prevention/Road safety		2,297	3,097	5,440	9,603
<b>Total Claims Costs</b>		<b>273,869</b>	<b>303,873</b>	<b>875,461</b>	<b>825,915</b>
<b>Expenses</b>					
Operating		30,273	29,486	85,623	88,990
Commissions		22,414	21,943	66,235	65,918
Premiums taxes		8,553	10,244	26,554	30,964
Regulatory/Appeal		1,131	1,321	2,928	3,358
<b>Total Expenses</b>		<b>62,371</b>	<b>62,994</b>	<b>181,340</b>	<b>189,230</b>
<b>Underwriting income (loss)</b>		<b>29,623</b>	<b>(12,565)</b>	<b>44,511</b>	<b>55,591</b>
<b>Investment income</b>	5	<b>40,360</b>	<b>(487)</b>	<b>214,243</b>	<b>106,745</b>
<b>Net income from operations</b>		<b>69,983</b>	<b>(13,052)</b>	<b>258,754</b>	<b>162,336</b>
<b>Surplus distribution</b>		<b>(69,367)</b>	<b>-</b>	<b>(179,523)</b>	<b>-</b>
<b>Net income (loss) after surplus distribution</b>		<b>616</b>	<b>(13,052)</b>	<b>79,231</b>	<b>162,336</b>

## Condensed Interim Statement of Comprehensive Income (Loss)

For the periods ended (Unaudited-in thousands of Canadian dollars)	Notes	3 months ended December 31 2020	3 months ended December 31 2019	9 months ended December 31 2020	9 months ended December 31 2019
<b>Net income (loss) after surplus distribution</b>		<b>616</b>	<b>(13,052)</b>	<b>79,231</b>	<b>162,336</b>
<b>Other Comprehensive Income (Loss)</b>					
Items that will not be reclassified to income					
Remeasurement of Employee Future Benefits		(31,283)	(77,247)	(125,961)	(77,247)
Items that will be reclassified to income					
Unrealized gains (losses) on Available for Sale assets		37,883	9,426	124,642	31,157
Reclassification of net realized losses (gains) related to Available for Sale assets		(11,268)	(608)	(24,657)	(16,816)
Net unrealized gains (losses) on Available for Sale assets		26,615	8,818	99,985	14,341
Other Comprehensive Income (Loss) for the period		(4,668)	(68,429)	(25,976)	(62,906)
<b>Total Comprehensive Income (Loss)</b>		<b>(4,052)</b>	<b>(81,481)</b>	<b>53,255</b>	<b>99,430</b>

The accompanying notes are an integral part of these financial statements.

### Condensed Interim Statement of Changes in Equity

(Unaudited-in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Equity
Balance as at April 1, 2019	528,898	(64,736)	464,162
Net income from operations for the period	162,336	-	162,336
Other comprehensive income (loss) for the period	-	(62,906)	(62,906)
<b>Balance as at December 31, 2019</b>	<b>691,234</b>	<b>(127,642)</b>	<b>563,592</b>
Balance as at April 1, 2020	691,912	(44,923)	646,989
Net income after surplus distribution for the period	79,231	-	79,231
Other comprehensive income (loss) for the period	-	(25,976)	(25,976)
<b>Balance as at December 31, 2020</b>	<b>771,143</b>	<b>(70,899)</b>	<b>700,244</b>

The accompanying notes are an integral part of these financial statements.

## Condensed Interim Statement of Cash Flows

For the periods ended (Unaudited-in thousands of Canadian dollars)	<i>Notes</i>	<b>9 months ended December 31 2020</b>	9 months ended December 31 2019
<b>Cash Flows from (to) Operating Activities:</b>			
Net income after surplus distribution		79,231	162,336
Non-cash items:			
Depreciation of property and equipment, and investment property		4,811	4,844
Amortization of deferred development costs		13,725	13,470
Amortization of bond discount and premium		(6,708)	(4,571)
Gain on sale of investments		(29,149)	(126,672)
Unrealized gain on Fair Value Through Profit or Loss bonds		(123,761)	(6,865)
Unrealized loss on pooled real estate fund		4,447	85,728
Unrealized loss on infrastructure investments		4,747	1,048
Unrealized gain on private debt		(1,195)	(24)
Recovery of impairment of Available for Sale investments		(13,388)	-
Impairment of deferred development costs		350	1,806
		<b>(66,890)</b>	<b>131,100</b>
Net change in non-cash balances:			
Due from other insurance companies		213	1,007
Accounts receivable and prepaid expenses		(23,126)	7,896
Deferred policy acquisition costs		(372)	581
Reinsurers' share of unearned premiums and unpaid claims		(7,472)	15,755
Due to other insurance companies		(134)	(14,384)
Accounts payable and accrued liabilities		15,003	25,807
Unearned premiums and fees		(19,935)	(14,974)
Provision for employee current benefits		1,703	1,044
Provision for employee future benefits		13,063	10,839
Provision for unpaid claims		194,296	65,004
		<b>173,239</b>	<b>98,575</b>
		<b>106,349</b>	<b>229,675</b>
<b>Cash Flows from (to) Investment Activities:</b>			
Purchase of investments		(702,904)	(1,405,806)
Proceeds from sale of investments		498,065	1,213,088
Acquisition of property and equipment net of proceeds from disposals		(1,636)	(4,756)
Lease obligation		(32)	1,510
Deferred development costs incurred		(12,249)	(5,612)
		<b>(218,756)</b>	<b>(201,576)</b>
<b>Increase in Cash and Cash Equivalents</b>			
		<b>(112,407)</b>	<b>28,099</b>
Cash and cash equivalents beginning of the period		236,815	183,769
<b>Cash and Cash Equivalents end of the period</b>	<i>4</i>	<b>124,408</b>	<b>211,868</b>

The accompanying notes are an integral part of these financial statements.

## Notes to Financial Statements

### 1. Status of Corporation

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under *The Automobile Insurance Act* in 1970. The Corporation is owned by the Province of Manitoba and the financial results of the Corporation are included in the consolidated financial statements of the Province of Manitoba. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba. The address of the Corporation's registered office is 234 Donald Street, Winnipeg, Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for Basic Universal Compulsory Automobile Insurance, Extension and Special Risk Extension coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, the operations are reported as part of the Special Risk Extension line of business. The Basic Universal Compulsory Automobile Insurance line of business rates are approved by the Public Utilities Board of Manitoba.

Under *The Drivers and Vehicles Act* (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

### 2. Basis of Reporting

#### Statement of Compliance

In April 2019, Manitoba Public Insurance Corporation's board approved a change to the Corporation's fiscal year-end from February 28 to March 31 as directed by the provincial government to coincide with the Government of Manitoba and other Provincial Crown Corporations. Quarterly financial statements issued in 2019/20 prior to March 31, 2020 reported under differing quarter period ends, and accordingly the prior year comparative figures have shifted to align to the new fiscal quarters.

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

References to IFRS are based on Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises as set out in Part 1 of the CPA Canada handbook. Part 1 of the CPA Canada handbook incorporates IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee.

#### Appointment of External Actuary

The external actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the insurance contract liabilities and to report thereon to the Corporation's Board of Directors. Insurance contract liabilities include unearned premiums and unpaid claims and adjustment expenses.

The Appointed Actuary also uses the work of the external auditors in their verification of the information prepared by the Corporation used in the valuation of the insurance contract liabilities.

### **Appointment of External Auditors**

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the Appointed Actuary and their report on the Corporation's insurance contract liabilities. The external auditors' report outlines the scope of their audit and their opinion.

### **Basis of Presentation**

The Corporation presents its Statement of Financial Position broadly in order of liquidity.

The following balances are generally classified as current: cash and cash equivalents, investments, due to/from other insurance companies, accounts receivable, prepaid expenses, deferred policy acquisition costs, reinsurers' share of unearned premiums and unpaid claims, accounts payable and accrued liabilities, unearned premiums and fees and provision for employee current benefits.

The following balances are generally classified as non-current: investment property, property and equipment (including right-of-use assets), deferred development costs, lease obligations, provision for employee future benefits and provision for unpaid claims.

These statements are presented in thousands of Canadian dollars which is the Corporation's functional and presentational currency except as otherwise specified.

### **Seasonality**

The automobile insurance business, which reflects the primary business of the Corporation, is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, underwriting income is typically highest in the first and third quarter of each year and lowest in the fourth quarter of each year. This is driven mainly by weather conditions which may vary significantly between quarters.

### **Basis of Measurement**

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims.

Measurement of the financial instruments is detailed in Note 3 of the March 31, 2020 audited financial statements available at [mpi.mb.ca](http://mpi.mb.ca). Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value) as explained in Note 3.

### **Estimates and Judgments**

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

Emergency measures enacted by the federal and provincial governments in response to the COVID-19 pandemic, including physical distancing, travel restrictions, and the temporary closure of non-essential businesses, have created significant additional estimation uncertainty in the determination of reported amounts as at December 31, 2020. The Corporation has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of reported amounts as at December 31, 2020. As a result of this significant estimation uncertainty there is a risk that the assumptions used as at December 31, 2020 may change as more information becomes available, resulting in a material adjustment to reported amounts in future reporting periods.

### 3. Summary of Significant Accounting Policies

For a complete listing of significant accounting policies, please refer to the March 31, 2020 audited financial statements available at [mpi.mb.ca](http://mpi.mb.ca).

The following are excerpts from the summary of significant accounting policies contained in the audited financial statements and do not represent full disclosure of significant accounting policies.

#### Investments

Funds available for investments are managed by the Manitoba Department of Finance or administered by external managers that are under contract with the Manitoba Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

The Corporation's directly held real estate investments are recorded at cost and are being depreciated over their estimated useful life.

The Corporation has classified or designated its financial assets and liabilities in the following categories:

- available for sale (AFS)
- held to maturity (HTM)
- financial assets and liabilities at fair value through profit or loss (FVTPL)
- loans and receivables
- other financial liabilities

The Corporation accounts for the purchase and sale of securities using settlement date accounting.

#### Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- It is becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an AFS asset is considered to be impaired, cumulative gains or losses previously recognized in OCI are reclassified to net income (loss) in the period. Subsequent declines in value continue to be recorded through net income (loss).

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income (loss) to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in net income (loss) are not reversed through net income (loss). Any increase in fair value subsequent to an impairment loss is recognized in OCI.

### Fair Value Determination

The fair values of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Cash equivalent investments comprise investments due to mature within 90 days from the date of purchase and are carried at fair value. Refer to Note 4 of the March 31, 2020 audited financial statements available at [mpi.mb.ca](http://mpi.mb.ca) for further information on the fair value of financial instruments.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Replacement costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All repairs and maintenance costs are recognized in net income (loss) during the period in which they occur.

Depreciation is provided on a straight-line basis which will depreciate the cost of each asset to its residual value over its estimated useful life:

#### Land & Buildings

• HVAC systems	20 years
• land improvements	25 years
• roofing systems	30 years
• elevators/escalators	30 years
• buildings	40 buildings

#### Furniture & Equipment

• computer equipment	3 years
• vehicles	5 years
• furniture and equipment	10 years
• demountable wall systems	10 years

Buildings held under a long-term lease arrangement are depreciated on a straight-line basis over 40 years. Leasehold improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period. Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed. Land is not subject to depreciation and is carried at cost.

### Deferred Development Costs (Intangible Assets)

The costs of developing major information systems that are expected to provide an economic benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and accumulated impairment losses and are amortized on a straight-line basis over five years unless the useful life is deemed to be shorter, starting the month after the asset becomes available for use.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred, including directly assigned employee costs, from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are recognized in net income (loss) in the period in which they are incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

### **Impairment of Tangible and Intangible Assets (Other Than Financial Assets)**

When specific events or circumstances arise, the Corporation reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

## **Revenue**

### ***Premiums***

Written premiums comprise the premiums on contracts commencing in the fiscal year. Earned premiums represent the portion of written premiums earned through the year on a pro rata basis by way of insurance coverage. Written and earned premiums are stated gross of commissions and premium taxes payable and are reported on a gross basis and net of amounts ceded to reinsurance companies.

### ***Unearned Premiums***

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

### ***Interest Revenue***

Interest revenue is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### ***Investment Income***

Investment income is recorded as it accrues. Dividend income from investments is recognized when the Corporation's rights to receive payments is established. Dividend income on common and preferred shares is recorded on the ex-dividend date. Distributions on pooled funds are recorded on the income distribution date. Gains and losses are determined and recorded as at the trade date, and are calculated on the basis of average cost. The effective interest rate method is used to amortize premiums or discounts on the purchase of bonds.

### **Realized Gains and Losses**

The realized gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortized cost as appropriate.

The realized gain or loss on disposal of property and equipment is the difference between the proceeds received, net of transaction costs, and its original cost or depreciated cost as appropriate.

### **Unrealized Gains and Losses**

Unrealized gains or losses represent the difference between the carrying value at the period-end and the carrying value at the previous period-end or purchase value during the period, less the reversal of previously recognized unrealized gains or losses in respect of disposals during the period.

### **Provisions**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Provision for Employee Current Benefits**

The provision for employee current benefits includes accruals for vacation pay and sick pay determined in accordance with the Collective Agreement and Corporate policy.

#### **Provision for Employee Future Benefits**

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

*i. Pension Benefit Plan*

The employees of the Corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act*. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services.

The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income (loss) in the current period. Actuarial gains and losses are recognized in OCI in the current period.

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 2019. Roll-forward procedures are performed to ensure that the December 31, 2019 valuation is a reliable estimate of the valuation at March 31, 2020.

*ii. Other Benefit Plans*

Other benefit plans consist of two post-retirement extended health plans and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income (loss) in the current period. Actuarial gains and losses are recognized in OCI in the current period.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporate policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

### **Provision for Unpaid Claims**

IFRS 4, *Insurance Contracts* permits the continued use of insurance liability valuation methods previously used under pre-IFRS Canadian Generally Accepted Accounting Principles (GAAP). The Corporation establishes reserves for payment of claims and adjustment expenses that arise from the Corporation's insurance products. The reserve balance represents the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. There are two categories of loss reserves: (1) reserves for reported losses and (2) reserves for incurred but not yet reported (IBNR) losses. In addition, reserves are set up for internal loss adjustment expenses, which include estimated internal costs and other expenses that are expected to be incurred to finalize the settlement of the losses. The Corporation discounts its liabilities for unpaid claims and includes a provision for adverse deviations. Liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the Corporation and statistical analyses for the claims incurred but not reported. Claims and adjustment expenses are charged to income as incurred.

All of the Corporation's insurance policies meet the definition of an insurance contract and have been accounted for in accordance with IFRS 4.

Reinsurers' share of unpaid claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant reinsurance contracts.

### **Liability Adequacy Test**

At each reporting period, insurance liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related Deferred Policy Acquisition Costs (DPAC) and Reinsurers' Share of Unpaid Claims. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. A premium deficiency exists when estimated future claims and related expenses exceed unearned premiums. Any resulting deficiency is recognized first by writing down the DPAC with any remainder recognized as a premium deficiency in unpaid claims.

### **Reinsurance Ceded**

Premiums, claims and expenses are reported gross and net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

### **Comprehensive Income**

Comprehensive income consists of net income from operations and other comprehensive income (loss). Changes in unrealized gains and losses on financial assets classified as AFS are recorded in OCI, and included in AOCI until recognized in the Statement of Operations. Actuarial gains and losses on employee future benefits amounts are recorded in OCI and included in AOCI. AOCI is included on the Statement of Financial Position as a separate component.

## 4. Cash, Cash Equivalents and Investments

Cash consists of cash net of cheques issued in excess of amounts on deposit.

Cash equivalent investments have a total principal amount of \$91.1 million (December 31, 2019 – \$202.6 million) comprised of provincial short-term deposits with effective interest rates of 0.092 to 0.100 per cent (December 31, 2019 – 1.733 to 1.760 per cent), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of \$5.0 million (December 31, 2019 – \$5.0 million). The unsecured operating line of credit remained unutilized at December 31, 2020 (December 31, 2019 – nil).

### Cash, Cash Equivalents and Investments

As at December 31, 2020 (Unaudited - in thousands of Canadian dollars)	Financial Instruments			Non-Financial Instruments	Total Carrying Value
	Classified as AFS	Classified as HTM	Classified as FVTPL		
Cash and cash equivalents	124,408	-	-	-	124,408
Bonds					
Federal	-	-	42,288	-	42,288
Manitoba:					
Provincial	6,166	-	133,099	-	139,265
Municipal	-	39,396	40,159	-	79,555
Schools	-	463,480	-	-	463,480
Other provinces:					
Provincial	130,549	-	1,072,756	-	1,203,305
Municipal	-	-	78,229	-	78,229
Corporations	162,255	-	457,713	-	619,968
	298,970	502,876	1,824,244	-	2,626,090
Private debt	150,880	-	24,297	-	175,177
Other investments	349	-	-	-	349
Infrastructure	-	-	108,195	-	108,195
Equity investments	509,457	-	-	-	509,457
Pooled real estate fund	-	-	120,855	-	120,855
Investments	959,656	502,876	2,077,591	-	3,540,123
Investment property	-	-	-	47,904	47,904
<b>Total</b>	<b>1,084,064</b>	<b>502,876</b>	<b>2,077,591</b>	<b>47,904</b>	<b>3,712,435</b>

As at December 31, 2019 (Unaudited - in thousands of Canadian dollars)	Financial Instruments			Non-Financial Instruments	Total Carrying Value
	Classified as AFS	Classified as HTM	Classified as FVTPL		
Cash and cash equivalents	211,868	-	-	-	211,868
Bonds					
Federal	-	-	33,022	-	33,022
Manitoba:					
Provincial	5,672	-	123,959	-	129,631
Municipal	-	22,391	35,786	-	58,177
Schools	-	507,620	-	-	507,620
Other provinces:					
Provincial	123,878	-	904,580	-	1,028,458
Municipal	-	-	73,761	-	73,761
Corporations	148,735	-	418,588	-	567,323
	278,285	530,011	1,589,696	-	2,397,992
Private debt	85,031	-	3,757	-	88,788
Other investments	378	-	-	-	378
Infrastructure	-	-	110,750	-	110,750
Equity investments	423,276	-	-	-	423,276
Pooled real estate fund	-	-	116,263	-	116,263
Investments	786,970	530,011	1,820,466	-	3,137,447
Investment property	-	-	-	40,800	40,800
<b>Total</b>	<b>998,838</b>	<b>530,011</b>	<b>1,820,466</b>	<b>40,800</b>	<b>3,390,115</b>

Gross unrealized gains and gross unrealized losses included in AOCI on AFS equity and other investments are comprised as follows:

As at December 31, 2020 (Unaudited - in thousands of Canadian dollars)	Book Value	Unrealized Gains/Losses	Fair Value
Equity Investments			
With unrealized gains	427,977	81,480	509,457
Subtotal - Equity Investments	427,977	81,480	509,457
Bonds			
With unrealized gains	287,525	11,445	298,970
Subtotal - Bonds	287,525	11,445	298,970
Private Debt			
With unrealized gains	144,331	6,549	150,880
Subtotal - Private Debt	144,331	6,549	150,880
Other Investments			
With unrealized gains	314	35	349
Subtotal - Other Investments	314	35	349
<b>Total AFS Investments</b>	<b>860,147</b>	<b>99,509</b>	<b>959,656</b>

As at December 31, 2019 (Unaudited - in thousands of Canadian dollars)	Book Value	Unrealized Gains/Losses	Fair Value
Equity Investments			
With unrealized gains	299,028	15,535	314,563
With unrealized losses	110,657	(1,944)	108,713
Subtotal - Equity Investments	409,685	13,591	423,276
Bonds			
With unrealized gains	235,419	2,601	238,020
With unrealized losses	40,535	(270)	40,265
Subtotal - Bonds	275,954	2,331	278,285
Private Debt			
With unrealized gains	84,447	584	85,031
Subtotal - Private Debt	84,447	584	85,031
Other Investments			
With unrealized gains	314	64	378
Subtotal - Other Investments	314	64	378
<b>Total AFS Investments</b>	<b>770,400</b>	<b>16,570</b>	<b>786,970</b>

AFS financial assets where the investment's underlying cost is greater than the fair value, the loss has not been recognized in net income either because:

- there is not objective evidence of impairment, or
- the loss is not considered to be significant or prolonged.

## Fair Value Measurement

Financial assets that are measured at fair value are classified by their level within the fair value hierarchy. The fair value hierarchy consists of three levels that are defined on the basis of the type of inputs used to measure fair value. The classification cannot be higher than the lowest level of input that is significant to the measurement:

Level 1 – Fair value is determined based on unadjusted quoted prices of identical assets in active markets. Inputs include prices from exchanges where equity and debt securities are actively traded.

Level 2 – Level 2 valuations utilize inputs other than quoted market prices included in Level 1 that are observable, directly or indirectly, for the asset. These inputs include quoted prices for similar assets in active markets and observable inputs other than quoted prices, such as interest rates and yield curves. The fair values for some Level 2 securities were obtained from a pricing service. Pricing service inputs may include benchmark yields, reported trades, broker/dealer quotes and bid/ask spreads.

Level 3 – Fair value measurements using significant inputs that are not based on observable market data are Level 3. This mainly consists of derivatives and private equity investments. In these cases prices may be determined by internal pricing models utilizing all available financial information, including direct comparison and industry sector data. For some investments, valuations are obtained annually. For periods between valuations, management assesses the validity of the valuation for current reporting purposes.

The following table presents financial instruments measured at fair value in the Statement of Financial Position, classified by level within the fair value hierarchy.

As at December 31, 2020 (Unaudited - in thousands of Canadian dollars)	Level 1	Level 2	Level 3
<b>FVTPL financial assets</b>			
Bonds	18,639	1,790,966	14,639
Private debt	-	24,297	-
Infrastructure	-	-	108,195
Pooled real estate fund	-	120,855	-
<b>Total FVTPL financial assets</b>	<b>18,639</b>	<b>1,936,118</b>	<b>122,834</b>
<b>AFS financial assets</b>			
Cash and cash equivalents	124,408	-	-
Bonds	-	298,970	-
Private debt	-	54,796	96,084
Other investments	-	-	349
Equity investments	26,723	482,734	-
<b>Total AFS financial assets</b>	<b>151,131</b>	<b>836,500</b>	<b>96,433</b>
<b>Total assets measured at fair value</b>	<b>169,770</b>	<b>2,772,618</b>	<b>219,267</b>

As at December 31, 2019 (Unaudited - in thousands of Canadian dollars)	Level 1	Level 2	Level 3
<b>FVTPL financial assets</b>			
Bonds	19,009	1,556,370	14,317
Private debt	-	3,757	-
Infrastructure	-	-	110,750
Pooled real estate fund	-	116,263	-
<b>Total FVTPL financial assets</b>	<b>19,009</b>	<b>1,676,390</b>	<b>125,067</b>
<b>AFS financial assets</b>			
Cash and cash equivalents	211,868	-	-
Bonds	-	278,285	-
Private debt	-	85,031	-
Other investments	-	-	378
Equity investments	-	423,276	-
<b>Total AFS financial assets</b>	<b>211,868</b>	<b>786,592</b>	<b>378</b>
<b>Total assets measured at fair value</b>	<b>230,877</b>	<b>2,462,982</b>	<b>125,445</b>

Fair value measurement of instruments included in Level 3

(Unaudited - in thousands of Canadian dollars)	FVTPL		AFS	
	2020	2019	2020	2019
Balance at April 1	138,302	126,776	79,694	378
Total gains/(losses)				
Included in net income	(5,152)	(1,062)	5,966	-
Included in OCI	-	-	4,603	-
Purchases	-	-	6,170	-
Sales	(10,316)	-	-	-
Return of capital	-	(647)	-	-
<b>Balance at December 31</b>	<b>122,834</b>	<b>125,067</b>	<b>96,433</b>	<b>378</b>

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value.

## 5. Investment Income

For the nine months ended December 31 (Unaudited - in thousands of Canadian dollars)	2020	2019
Interest income	52,905	50,752
Gain on sale of FVTPL bonds	15,516	18,923
Unrealized gain on FVTPL bonds	123,761	6,865
Unrealized loss on pooled real estate fund	(4,447)	(85,728)
Unrealized gain on private debt	1,195	24
Dividends on infrastructure investments	1,202	2,911
Realized gain on infrastructure investments	2,782	-
Unrealized loss on infrastructure investments	(4,747)	(1,048)
Foreign exchange loss on infrastructure investments	(405)	(15)
Dividend income	4,848	8,307
Gain on sale of equities and other investments	11,256	14,601
Gain on foreign exchange	-	1,083
Income from investment property	698	1,477
Realized gain on pooled real estate fund	-	92,080
Recovery (impairment) of AFS investments	13,388	-
Investment management fees	(3,709)	(3,487)
<b>Total</b>	<b>214,243</b>	<b>106,745</b>

## 6. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-term claims such as Personal Injury Protection Plan (PIPP) and public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends, and effect of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claims trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

## 7. Employee Future Benefits Expense

The total benefit costs included in expenses are as follows:

For the nine months ended December 31 (Unaudited - in thousands of Canadian dollars)	2020	2019
Pension benefits	11,848	10,747
Other post-retirement benefits	1,866	1,617
<b>Total</b>	<b>13,714</b>	<b>12,364</b>

## 8. Depreciation and Amortization

The total depreciation and amortization included in expenses are as follows:

For the nine months ended December 31 (Unaudited - in thousands of Canadian dollars)	2020	2019
Amortization - Deferred Development	13,725	13,470
Depreciation - Property and Equipment and Investment Property	4,811	4,844
<b>Total</b>	<b>18,536</b>	<b>18,314</b>

*For more information contact:*

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