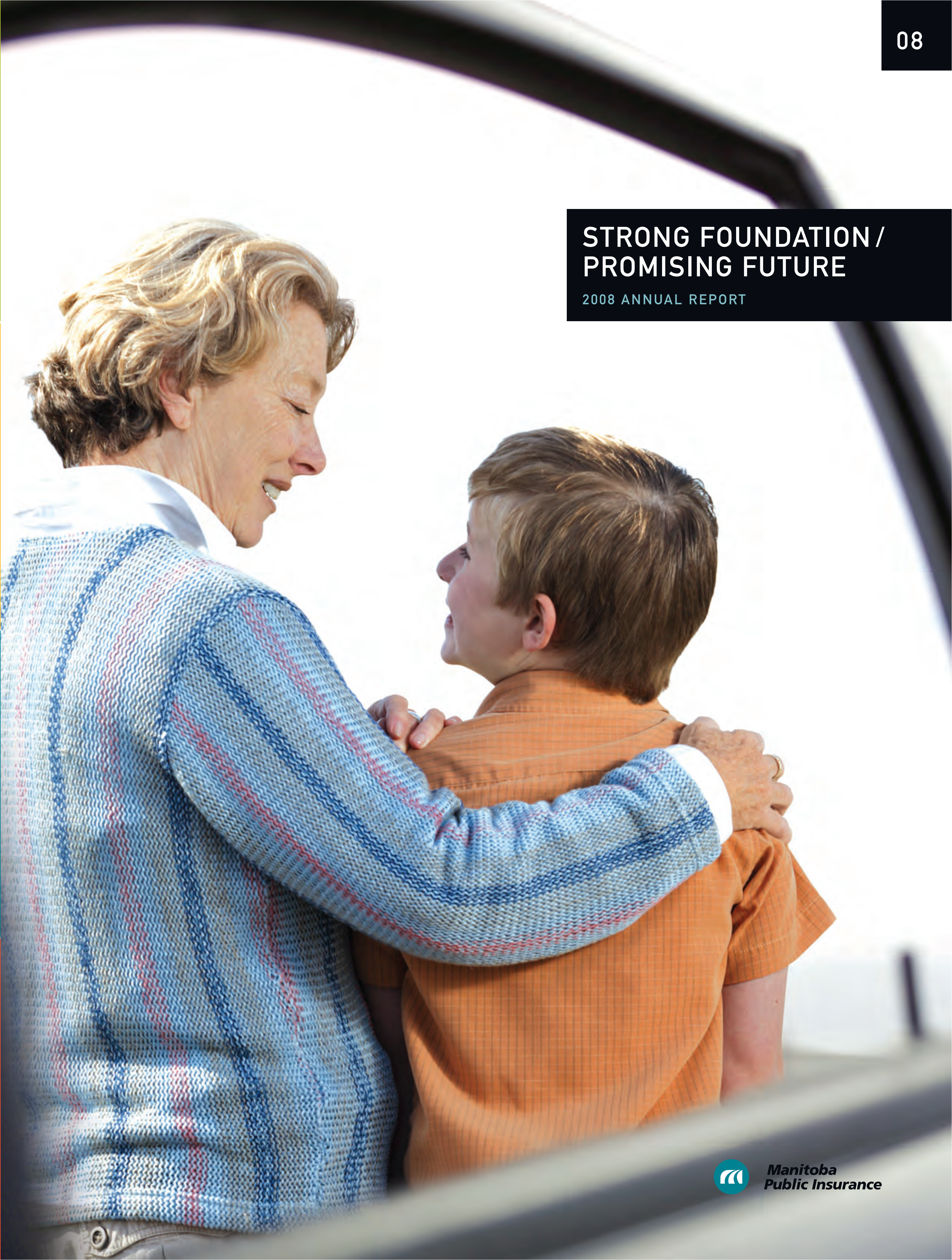
08

STRONG FOUNDATION / PROMISING FUTURE

2008 ANNUAL REPORT



Manitoba Public Insurance

Table of Contents

Manitoba Public Insurance is a provincial Crown corporation that has provided automobile insurance coverage since 1971. We assumed a broader spectrum of services in 2004, when we merged driver and vehicle licensing into our operations. The corporation is governed by *The Manitoba Public Insurance Corporation Act* and *The Drivers and Vehicles Act*.

Selected highlights of this annual report are available in French at www.mpi.mb.ca

Les grandes lignes du rapport sont présentées en français dans le site www.mpi.mb.ca

STRONG FOUNDATION /

Our Mission

Working with Manitobans to reduce risk on the road

At Manitoba Public Insurance we value...

OUR CUSTOMERS

Our customers' interests are at the heart of everything we do. We balance the individual customer's needs with the needs of Manitobans as a whole. We base our relationships on respect, fairness, honesty and integrity. We safeguard the confidentiality of information and personal privacy. We are committed to the highest ethical standards and excellence in service.

OUR PEOPLE

Our people are given the skills, tools and encouragement they need to succeed. We provide a respectful, inclusive and safe environment where our staff is well trained, confident and committed to the Corporate Mission. We provide our people with clear and consistent direction. Our people have the authority they need to do their jobs, providing a sense of achievement from their work, and the opportunity for career growth and advancement. We encourage and support our people to make a positive contribution, both inside and outside the workplace.

WORKING TOGETHER

We work co-operatively with each other and with our business associates, sharing expertise, ideas and resources. Each of us, in our daily work, creates a team environment, drawing on one another to do the best job possible. Our communication with one another is respectful, appropriate and helpful.

FINANCIAL RESPONSIBILITY

Manitoba Public Insurance holds the funds of its policyholders in trust to meet their needs into the future. We operate in a fiscally responsible and cost-effective manner, using investment income to reduce rates and provide long-term benefits to Manitobans.

EXCELLENCE AND IMPROVEMENT

We constantly improve our products, services and procedures. As our customers' needs and the business environment continue to change, so must we. We value initiative, creativity and a strong desire for personal, team and corporate success in everything we do. We recognize and reward excellence and improvement in our work.

OUR CORPORATE CITIZENSHIP

We lead by example, conducting our affairs responsibly and professionally. We contribute to the social and economic well-being of our communities as well as the sustainable development of Manitoba now and into the future.

PROMISING FUTURE

Letters of Transmittal

May 11, 2009

Honourable David Chomiak
Minister Responsible for the Manitoba Public Insurance Corporation
Room 104, Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister:

In accordance with Section 43(1) of The Manitoba Public Insurance Corporation Act, I have the honour of submitting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2009.

Respectfully submitted,

Shari Decter Hirst
Chairperson of the Board

Manitoba Public Insurance

May 11, 2009

The Honourable John Harvard
Lieutenant Governor of the Province of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

May it please your honour:

I have the privilege of presenting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2009.

Respectfully submitted,

David Chomiak
Attorney General and Minister of Justice
Minister Responsible for Manitoba Public Insurance

Manitoba

2008 Year-End Summary

Unless otherwise indicated, the following are 2008/09 fiscal year totals, covering the period March 1, 2008 to February 28, 2009

Dollars and Cents	
Approximate Autopac claims incurred costs per working day:	$2.4 million
Total Autopac claims costs for injury and property damage, respectively (before expenses):	$200.8 million and $382.3 million
Amounts paid by MPI to Manitoba medical practitioners on behalf of customers:	$21.7 million
Commissions paid by MPI to independent insurance brokers for product sales:	$68.3 million
Grants-in-lieu of taxes paid to Manitoba municipalities by MPI:	$1.3 million
Provincial premium taxes paid by MPI:	$25.0 million
Estimated savings to policyholders through use of recycled parts:	$14.1 million
Estimated direct savings to policyholders through subrogation:	$14.9 million
Dollars invested in road safety programs:	$27.3 million

Significant Numbers	
Average number of Autopac claims reported to MPI per working day:	1,028
Total Autopac claims reported:	254,856
Bodily injury claims reported:	16,943
Property damage claims reported:	237,913
Total theft claims reported in Winnipeg:	2,905
Total theft claims reported elsewhere in province:	1,149
Independent Autopac broker outlets, as of February 28, 2009:	306
Number of Autopac policies in force (average):	934,524
Licensed drivers in Manitoba in 2008:	765,014
Calls answered by Manitoba Public Insurance Call Centre:	791,897
Average weekly visits to www.mpi.mb.ca:	46,880

Corporate Five-Year Statistics	**2008**	2007	2006	2005	2004
Premiums Written ($000)	**885,682**	842,053	812,378	779,316	745,126
Claims Incurred ($000)	**605,643**	618,399	628,370	616,590	541,744
Number of Claims	**254,856**	280,319	269,135	253,080	255,804
Average Cost per Claim ($)	**2,376**	2,206	2,335	2,436	2,118
Claims Expense ($000)	**90,443**	84,505	79,850	78,586	75,068
Other Expenses ($000)	**209,958**	194,879	181,490	164,991	133,483
Income (loss) ($000)	**5,050**	97,440	68,388	105,809	79,521
Investment at Year-End ($000)	**2,022,893**	2,181,838	2,012,821	1,877,148	1,625,022
Total Assets ($000)	**2,451,983**	2,570,939	2,357,731	2,218,895	1,970,078

Board of Directors (L to R)

Kerry Bittner, Vice-Chairperson

Daryl Reid

Ed Arndt

Shari Decter Hirst, Chairperson

Annette Maloney

Mary Johnson

Manisha Pandya

Dale Paterson

Marilyn McLaren, Ex-Officio

Debbie Mintz

Message from the Chairperson

Now, more than ever, Manitobans can appreciate the value of our public auto insurance system. The past year has challenged most economic sectors around the world – yet Manitoba Public Insurance remains strong and stable, even during these less certain times.

We rely on our public insurance system to be there when we need it most; and Manitoba Public Insurance has again come through in 2008. For example, in May, the corporation again distributed a rebate to Basic policyholders – this time in the amount of $62.6 million. Over the last seven years, we've provided premium payers with more than $260 million in rebates.

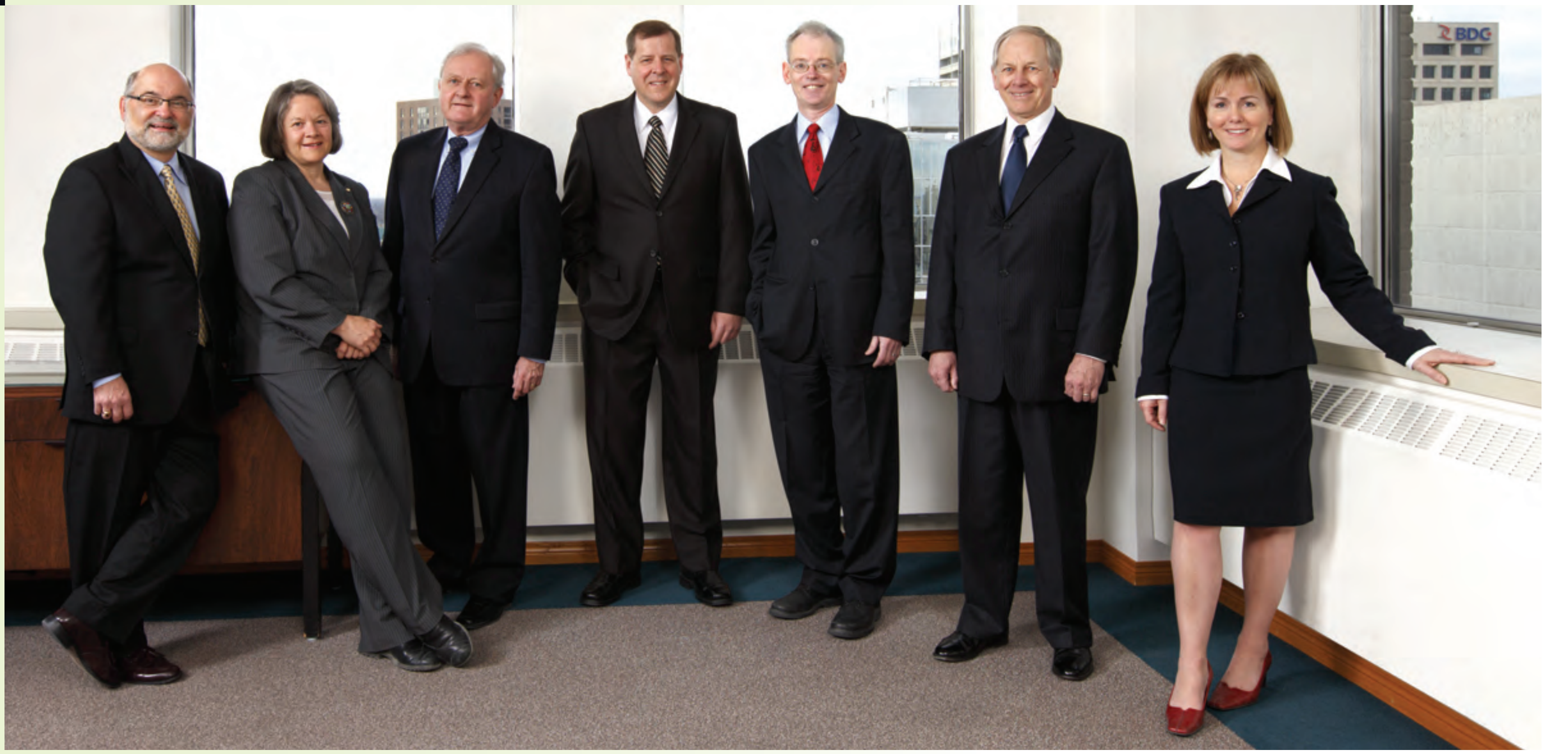
And that's not the only financial benefit our ratepayers enjoyed in 2008. Their rates continued to be among the lowest in Canada. In December 2008, the Public Utilities Board approved our application to cut Autopac rates by one per cent overall for the 2009/10 insurance year. This means Manitoba Public Insurance will have held the line or reduced auto insurance rates in 10 of the last 11 years – without lowering service or reducing coverage.

Generations of Manitobans can appreciate that this corporation's commitment to its customers has never wavered. Building on core principles established 38 years ago, Manitoba Public Insurance continues to improve value for customers in four important areas: low cost insurance, access to our products and services, comprehensive coverage, and high levels of service.

You'll read in this report how this past year has prepared the ground for some exciting innovations in 2009 and beyond. We continue to build on past successes and take advantage of new opportunities to enhance our position as a national leader in auto insurance.
It was a year of remarkable progress by the hard-working people of Manitoba Public Insurance – as customers will see when these improvements reach fruition in the years ahead.

Manitoba Public Insurance will continue to meet or exceed the high standards of excellence it has set for itself. Together with Manitobans, we will continue to make our shared future stronger.

Shari Decter Hirst
Chairperson of the Board



Executives (L to R)

Wilf Bedard, Vice-President,
Claims Operations & Service Delivery

Marilyn McLaren,
President & Chief Executive Officer

Kevin McCulloch, Vice-President,
Legal, General Counsel & Corporate Secretary

Dan Guimond, Vice-President,
Business Innovation & Insurance Operations

Don Palmer, Vice-President,
Finance & Chief Financial Officer

Wayne Wedge, Vice-President,
Information Technology
& Chief Information Officer

MaryAnn Kempe, Vice-President,
Human Resources & Public Affairs

Message from the President

At its most basic level, an annual report provides a snapshot of a corporation's performance during a given year. Financial data traditionally take centre stage, but the report also reflects progress that can't be measured by numbers alone.

This year we look back on our accomplishments in 2008 with much pride, knowing the seeds we've sown will fully take root in 2009.

Our progress during the past year can be traced back to 2004, when we assumed responsibility for Driver and Vehicle Licensing. The merger of these operations into our infrastructure opened up many new opportunities to improve the way we do business.

Many of us began advocating for such a merger a decade earlier when it became clear it was the foundation from which we could launch an array of service improvements. Now, as we look back at 2008, we can truly say that we have fulfilled that promise.

In 2008, we realized the single greatest opportunity stemming from the merger – the creation of the Driver Safety Rating. In the fall of 2008 we introduced the basic concept to Manitobans during public consultations, and we were gratified by the positive response. Manitobans agreed that it will give drivers a rating system they understand while providing higher rewards for driving safely.

The 2004 merger also allowed us to lay the groundwork this year for many other improvements – including a more convenient renewal process, lower operating costs and more efficient use of facilities – which we are ready to roll out in the months ahead. The value and convenience we provide to customers will reach a new high in the coming year.

These advances would not be possible without a solid foundation of financial stability. I'm pleased to report that in 2008 we finally overcame one of our most persistent and troubling cost-drivers. Through a sustained team effort, Manitoba has reversed the auto theft epidemic and controlled a serious threat to community safety.

All of these achievements demonstrate why public auto insurance is absolutely the best program for Manitobans, and why the merger of insurance and licensing services was the right decision for our province. Thanks to the commitment of our employees, and their willingness to rise to new challenges, we've capitalized on those opportunities. In doing so, we've secured a future that we can look forward to with pride.

Marilyn McLaren
President and Chief Executive Officer

Fewer stolen vehicles, greater safety and reduced rates

Manitoba won a hard-fought battle in 2008 when auto theft rates continued a dramatic downward turn. Auto theft declined by more than 40 per cent from 2007, reaching the lowest level in the province since 1992.

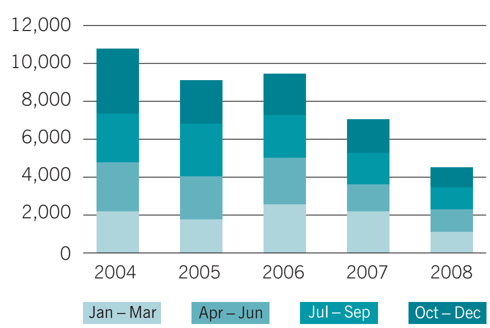
Our streets are safer without reckless thieves behind the wheel, and fewer theft claims mean lower Autopac rates.

Since 2004, when Manitoba's auto theft problem peaked, there has been a 62.4 per cent drop in theft numbers across the province. The number of vehicles stolen in Manitoba has fallen for 31 of 32 months for the period ending February 28, 2009, and attempted thefts have seen similar declines in the last 19 months of that same period.

When fewer vehicles are stolen in Manitoba, everyone benefits. Our streets are safer without reckless thieves behind the wheel, and fewer theft claims mean lower Autopac rates.

The decline has saved the corporation $58 million in theft claims costs since 2005 when compared to our forecasts. Those savings have contributed to a 3.6 per cent rate reduction in Autopac rates over the last two years, including a one per cent reduction overall in the 2009/10 insurance year.

Total Thefts – Province



WATSS teamwork keeps thieves sidelined

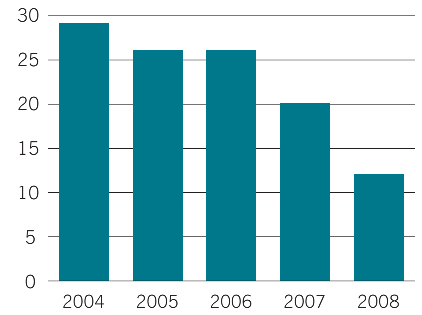
Manitoba's team approach in the fight against auto theft is a crime prevention success story.

Manitoba Public Insurance, Manitoba Justice and the Winnipeg Police Service together created the Winnipeg Auto Theft Suppression Strategy, with funding from the corporation. WATSS provides intensive monitoring of the worst repeat offenders, using the combined forces of families, schools, social services, law enforcement and probation.

In 2008, an average of 141 youth were monitored through WATSS at any given time. Of these, 121 were classed as Level 4 repeat offenders. These Level 4 offenders, when not incarcerated, may be contacted through the program as often as every three hours to ensure they are in compliance with their release requirements. The police and probations staff have zero tolerance with non-compliance situations and the youth are put back into custody if they do not comply.

The program gained national attention during the year, including an October 2008 report from the Conference Board of Canada, *Making Communities Safer, Lessons Learned in Combating Auto Theft in Winnipeg*, which praised Manitoba's collaborative approach.

Average number of vehicles stolen daily – Winnipeg



LESS THEFT/MORE PEACE OF MIND

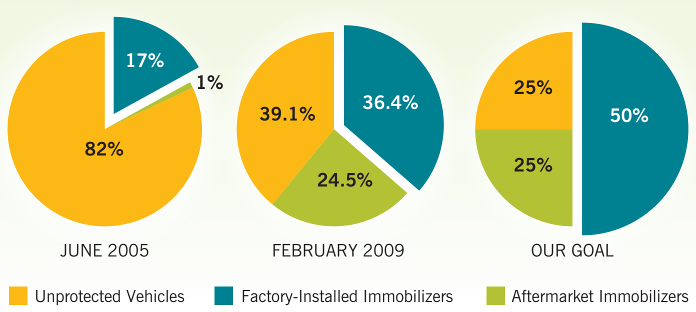
Immobilizers protect vehicles

In 2008 another 45,094 vehicles were equipped with aftermarket immobilizers through the program administered by Manitoba Public Insurance. By year end, nearly 80 per cent of all Most-at-Risk vehicles in Winnipeg were protected with aftermarket immobilizers.

The total percentage of Manitoba vehicles with either a factory-installed or aftermarket immobilizer now sits at 52 per cent, up from 43 per cent in 2007. It's a dramatic increase from 2005 when only 18 per cent of the total fleet was protected. By the end of the 2009 fiscal year we expect 75 per cent of the Winnipeg fleet to be protected with immobilizers.

Closing the Gap on Auto Theft

(Total Vehicles in Winnipeg)



Smart use of facilities is bringing more full-time services to more communities

In 2008, we moved toward implementation of a multi-year project to make better use of our service outlets. By offering more services under one roof, we are increasing convenience for customers while creating operational efficiencies that reduce overhead costs for the corporation.

The new Service Centre model increases convenience for customers and creates operational efficiencies that reduce costs for the corporation.

It's another benefit that stems from the merger with Driver and Vehicle Licensing in 2004.

The main focus of the plan is the conversion of our Claim Centres into full-service facilities. At these newly renamed Service Centres, customers still file claims, meet with adjusters and have damaged vehicles estimated – but they can also write a driving test, take a road test, have their vision tested, register commercial vehicles and do other licensing and insurance business. It means more communities will have access to more full-time services than ever before – particularly in rural Manitoba. It also means the elimination of separate offices and the associated overhead in centres like Winnipeg, Brandon and Thompson.

OUTLETS FOR	2005	2008	FUTURE
Driver's licence renewals and replacements	183	330 +	330 +
Knowledge (written) tests	7	8	20
Practical (road) tests	7	8	16
Vehicle registration	6	7	20
Vehicle standards and inspections	3	4	21
Claims services	18	19	21

New locations to serve you better

In 2008 we also announced plans to build new Service Centres in south and northeast Winnipeg to meet the demands brought on by population changes. The new 28,500 square-foot full-service centres will be the first new buildings that we've constructed in the city in more than two decades.

We're also replacing our facilities in the north end of Winnipeg and in Selkirk with new, larger Service Centres.

SHRINKING OVERHEAD/ EXPANDING ACCESS TO SERVICES

Our Winkler location was the site of a successful pilot of the Service Centre concept in 2007. In 2008, we began to roll out the plan on a larger scale by converting the facilities in Thompson and Brandon. Claim Centres in Steinbach and Winnipeg will complete their conversions in 2009, and other Claim Centre locations will move to the new model in 2010 and subsequent years.

More protection for the environment

Our new facilities and renovations aren't just customer friendly – they're good for the environment, too. Because of increased operational efficiencies, we're actually decreasing the number of single-purpose facilities and therefore the size of our carbon footprint. And all of the new Service Centre locations were based on population growth patterns, so customers could drive less and reduce greenhouse gas emissions while accessing services.

Two more of our Winnipeg Claim Centres received a green makeover in 2008, achieving Go Green Plus (BOMA BESt) certification from the Building Owners and Managers Association (BOMA) of Canada. A total of three Winnipeg Claim Centres have now earned Go Green Plus status, which is BOMA's highest certification. All of our existing buildings will undergo these environmentally friendly upgrades as they are renovated to become Service Centres.

All of our new centres will be built to stringent environmental standards under the Canada Green Building Council's Leadership in Energy and Environmental Design (LEED) program. That includes green building practices in everything from site selection and building design, to interior design, mechanical features and electrical features.

A better merit/demerit system is on the horizon

For many years, drivers have expressed frustration that rewards for safe driving are limited to five merits and a 25 per cent Autopac discount – even after maintaining a spotless driving record for decades.

If the requested rates are approved, Manitobans will pay almost $11 million less in driver premiums during the first year of the new program.

Thanks to the merger with Driver and Vehicle Licensing in 2004, we've been able to lay the groundwork for a new system that's designed to provide more rewards and incentives to drive safely. In time, the Driver Safety Rating will offer up to 15 merits for continued safe driving, with the potential for higher Autopac discounts and lower driver premiums at the top of the scale.

During public consultations in September 2008, we invited Manitobans across the province to comment on the new model. Of the 1,000-plus who participated, more than 80 per cent told us they liked the proposal.

By the end of the 2008 fiscal year, the model had been accepted by the Manitoba government and our first rate application under the new system was presented to the Public Utilities Board. If the requested rates are approved, Manitobans will pay almost $11 million less in driver premiums during the first year of the new program.

When introduced in 2009, the Driver Safety Rating scale will allow drivers to track their progress every year, providing an annual reminder of why safe driving pays. Drivers will move up the scale whenever they drive a full year with no incidents. At-fault claims and driving infractions will move them down the scale (see scale on page 13).

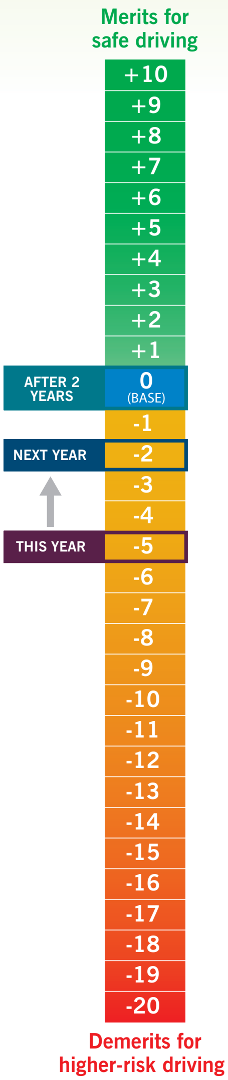
A new type of renewal notice, developed in 2008, will also capitalize on the advantages of the Driver Safety Rating Scale. It will be personalized to show how each customer has moved on the scale during the year, making it easier to see how individual driving behaviour affects what a customer pays.

LESS CONFUSION/ MORE INCENTIVE TO DRIVE SAFELY

One-piece licences

In fall 2009, Manitoba Public Insurance will begin replacing Manitoba's current two-piece driver's licence with a new one-piece driver's licence – in order to comply with standards being implemented in provinces and territories across Canada.

Also in fall 2009, the corporation will introduce a new Enhanced Driver's Licence. EDLs will be voluntary cards for those Manitobans who are Canadian citizens and want to use their driver's licence as an approved document to cross the United States border by land or water.



Streamlined renewal process will offer more convenience

By the end of 2009, a new streamlined renewal process will give customers the option of visiting a broker in person just once every five years.

Research shows that 85 per cent of people make no changes to their coverage year to year. Recognizing this fact, the new system will be based on a five-year policy with annual reassessments. For customers using automatic payment plans, there will be no need to visit a broker on an annual basis. In four years out of five, a reassessment notice will be sent and payments will continue without interruption – unless the customer chooses to make a change.

The corporation worked with the Insurance Brokers Association of Manitoba (IBAM) to develop a new compensation plan that takes into account the new streamlined renewal system. That plan was recommended to IBAM members by their negotiating committee and ratified shortly thereafter in September 2008.

Sound financial management protects your premium dollars

In this past year, when the average investment portfolio lost 15 to 25 per cent, ours lost 5.8 per cent on a market-value basis. Our prudent and conservative investment strategy protects our reserves and Manitobans' premium dollars in uncertain times.

Over the last seven years, we've provided premium payers with more than $260 million in rebates.

By containing costs and handling finances with care, Manitoba Public Insurance is able to keep your rates low and predictable. For example, in 2008/09, basic premiums were reduced by an average of $110.14 per policy due to investment income.

For nearly four decades, the public auto insurance system has delivered as promised – providing comprehensive insurance at an affordable price, and with none of the coverage reductions that customers have seen in other provinces.

In December 2008, the Public Utilities Board approved our application to cut Autopac rates by one per cent overall for the 2009/10 insurance year. This means Manitoba Public Insurance will have held the line or reduced auto insurance rates in 10 of the last 11 years – without lowering service or reducing coverage.

In May 2008, the corporation again distributed a rebate to Basic policyholders – this time in the amount of $62.6 million. Over the last seven years, we've provided premium payers with more than $260 million in rebates.

By the numbers

$263 million	Total rebates returned to Manitoba ratepayers since 2001
89	Cents of every Basic premium dollar returned to Manitobans in the form of claim benefits
$110.14	Average amount per policy that 2008/09 Basic premiums were reduced because of investment income
49%	Manitoba Public Insurance's operating costs for Basic compared to the industry average
$9 million	Savings resulting from fraudulent claims investigations this year
$14.1million	Estimated savings to policyholders through use of recycled parts

LOWER RATES/ MORE STABILITY

More savings for the bottom line

As careful stewards of ratepayer premiums, we search for the most cost-effective ways to do business.

Discouraging and recovering fraudulent claims is one focus of cost containment. Our Special Investigations Unit (SIU) has recovered undeserved benefits and denied fraudulent claims totaling nearly $40 million over the last three years. In 2008, SIU recovered $9 million in fraudulent claims.

Automotive repairs are another area where we strive to contain costs. We conduct research and work with the automotive trades to keep repair quality high and costs low. This partnership adds up to the best possible value for customers.

In the last year, we also took action to control future operating costs by acquiring Cityplace, the building that houses most of the corporation's administrative offices. The acquisition will help contribute to more predictable overhead and continued low Autopac rates.

Our emphasis on safety promotion is another important investment in the bottom line. The greatest opportunity to reduce costs lies in the prevention of crashes and claims. Through road safety advertising, outreach and community partnerships, we encourage Manitobans to do their part to keep roadways safe and rates low.

New products and secure processes provide more value from our infrastructure

Manitobans do business with us through more than 300 independent brokers and company-owned service outlets.

Connecting and supporting them all are a strong information technology network, a team of highly qualified people and a range of financial services.

In 2008, we began putting that infrastructure to greater use by planning new products that can be accessed through our service distribution channels.

New ID options for Manitobans

Manitoba Public Insurance is playing an important role in the delivery of the new Manitoba Enhanced Identification Card (EIC), which is a voluntary affordable alternative for entering the United States by land or water. Because of this joint effort of the corporation and the provincial government, Manitoba is one of the first provinces in the country to offer this new voluntary form of secure identification.

Over two years in the making, the project has resulted in several important changes at Manitoba Public Insurance. EIC workers are staffing Enhanced ID Centres in Winnipeg, Brandon, Steinbach, Thompson and Winkler, and new system software is live and updated regularly.

During the year, the corporation and government also made plans to introduce a basic identification card. It is another option for Manitobans looking for secure, government-endorsed proof of name, age, address and residency.

Both initiatives build on the infrastructure already in place for delivering driver licensing services.

FEWER RISKS/ MORE CHOICES

Better systems to protect identity

While preparing for these new ID options, we upgraded our systems for identity verification. New technologies such as facial recognition software were introduced in 2008 to make it more difficult to obtain a fraudulent driver's licence or identification card from Manitoba Public Insurance. This and other upgrades are providing Manitobans with greater protection against identity theft.

Manitoba Public Insurance and the Manitoba government have worked closely with the provincial Ombudsman's office to review and address privacy and information-sharing concerns. Policies and procedures related to the EIC will be adjusted as needed on an ongoing basis to safeguard Manitobans' personal information.

Manitoba is one of the first provinces in the country to offer this new voluntary form of secure identification.

Management Discussion & Analysis

Corporate Profile

Corporate Vision

Manitoba Public Insurance will be a leader in automobile insurance and driver services, providing Manitobans with guaranteed access to superior products, coverage and value. We will anticipate and meet the evolving needs of Manitobans. We are dedicated to offering province-wide accessibility and, in co-operation with our business partners, will perform at the highest attainable levels of economy, efficiency and effectiveness.

Manitoba Public Insurance will make our roadways and communities safer by enforcing standards for drivers and vehicles, by raising awareness of the inherent risk of driving and by investing in lasting solutions. We will develop educational programs and controls that help and encourage Manitobans to acquire the skills to avoid collisions.

Our people will deliver knowledgeable service with care, efficiency and justifiable pride, and will be appropriately recognized for their contributions in helping the corporation achieve its goals. Manitoba Public Insurance will be one of the best and most inclusive places in the province to work and pursue a career, where people will deliver knowledgeable and caring services in new and innovative ways.

We will ensure Manitobans understand and support the unique contribution Manitoba Public Insurance makes to the province of Manitoba.

Corporate Goals, Strategies and Measures

Manitoba Public Insurance strives to achieve seven broad Corporate Goals. Expected outcomes are measured and five-year key strategies have been developed to reflect and address the current realities of the corporation's marketplace and public environment, and to meet various stakeholder expectations and obligations. Several of the strategies, while presented in support of a particular Corporate Goal, also support other Corporate Goals. Manitoba Public Insurance's Corporate Goals, Strategies and Measures are as follows:

Goal 1

Universally available mandatory protection against the cost of automobile accidents. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

STRATEGIES

1.1 Basic automobile insurance – to ensure that the basic, compulsory program meets the needs of Manitoba motorists for affordable, accessible and comprehensive coverage.

1.2 To keep all controllable costs at their lowest possible level through continuous focus on savings in claims, service delivery and operating costs.

1.3 To improve the efficiency and convenience of Manitoba Public Insurance's distribution and service network by reducing or eliminating low value transactions.

1.4 To the maximum extent possible, leverage synergies offered by strategic partners that are mutually beneficial, improve customer service and reduce costs.

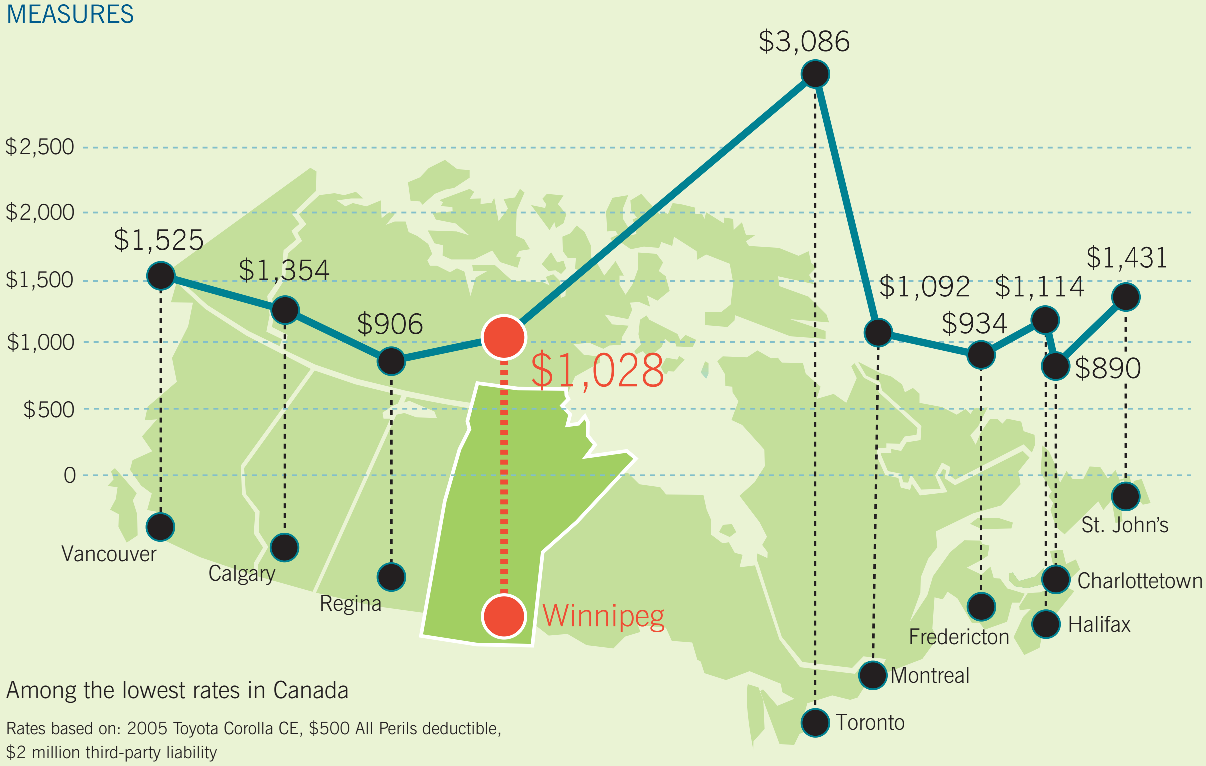
1.5 To increase the percentage of revenue derived from investment income while remaining within acceptable investment risk profiles.

1.6 To create and maintain an information technology environment that is efficient, adaptable, expandable and current to capitalize on opportunities. We will use economies of scale, new technology and existing capabilities to improve customer service or reduce costs.

1.7 We will develop systems that leverage technologies and processes across divisions providing the greatest corporate benefit possible.

1.8 To maintain the Basic Insurance Rate Stabilization Reserve to protect vehicle owners from rate increases caused by unexpected events and losses resulting from non-recurring events or factors.

MEASURES



Among the lowest rates in Canada

Rates based on: 2005 Toyota Corolla CE, $500 All Perils deductible, $2 million third-party liability

Goal 2

The Basic plan will return at least 85 per cent of premium revenue to Manitobans in the form of claims benefits.

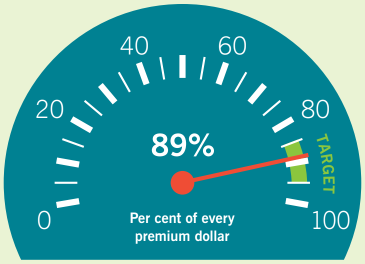
STRATEGIES

2.1 To maintain operating costs at a maximum of 50 per cent of industry average.

2.2 To break even over the long term on Basic automobile insurance.

2.3 To use investment income to reduce the average premium paid by Manitobans.

MEASURES



Premium returned for each dollar earned

Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service. The corporation will utilize technology to provide products and services that will enhance the value it delivers to Manitobans.

STRATEGIES

3.1 To ensure Manitobans receive understandable information on Manitoba Public Insurance products, entitlements, services and service standards. The corporation will adopt a strategy that ensures information reaches the appropriate target groups at appropriate times.

3.2 Autopac Extension – to be profitable by providing products and services that continue to recognize the changing needs of our customers and continue to successfully achieve high levels of customer satisfaction through strategic pricing, accessibility and convenience. To mitigate risk through appropriate product design and automated underwriting techniques.

3.3 Special Risk Extension – to be profitable by responding to the variable and specialized needs of our commercial customers and providing personalized auto-related insurance products that cannot be met by the universal compulsory program or by the automobile extension program. To partner with customers in pursuing fleet safety and loss prevention initiatives. To provide Manitobans with a stable market choice that promotes long-term partnerships.

3.4 To leverage the existing service delivery model to meet customer demands, focus the number of interactions with customers and increase accessibility and convenience.

3.5 To expand the value that the corporation provides Manitobans by capitalizing on the effectiveness of its technology and distribution channels to develop innovative solutions that benefit its customers in a cost-effective manner.

3.6 To improve the service relationship between drivers and vehicle owners and the corporation by modernizing business processes and ensuring all aspects of driver risk rating are consistent, clear and fair.

MEASURES

Corporate Performance Index

Goal 4

Manitoba Public Insurance will provide service that is responsive, fair, courteous and convenient. Manitoba Public Insurance will meet corporate customer service standards that are based on customer expectations.

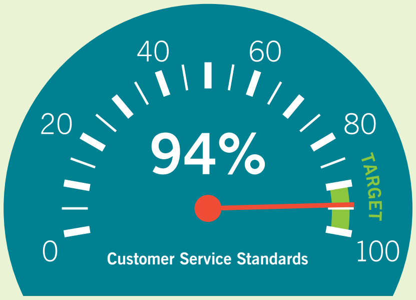
STRATEGIES

4.1 To create, publish and comply with comprehensive customer service standards for ourselves, brokers, business associates and service providers who are in contact with our customers.

4.2 To promptly address and respond to legitimate concerns expressed by our customers. To provide internal and external appeal mechanisms.

MEASURES

Physical Damage Claims



Overall, how often we meet/exceed standards

Bodily Injury Claims

Insurance Operations Policyholder Transactions

Driver and Vehicle Licensing

Goal 5

Retained earnings and Rate Stabilization Reserve will be maintained within established target levels.

STRATEGIES

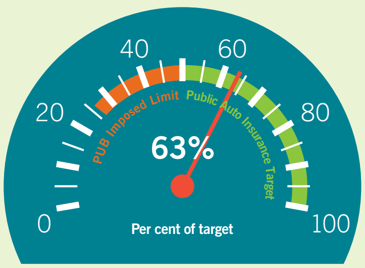
5.1 To maintain financial stability by setting appropriate premium rates, strengthening investment income and maintaining retained earnings and Rate Stabilization Reserve within established target levels.

5.2 To continuously identify and assess the likelihood and magnitude of potential risks and act explicitly to avoid and mitigate such risks.

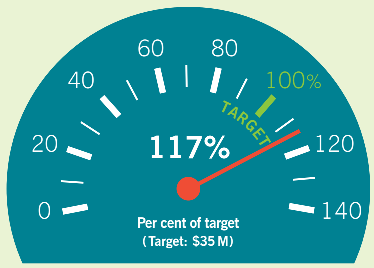
5.3 To develop business strategies to ensure competitive lines of business are profitable and contribute to the benefit of all Manitobans.

5.4 To assess corporate financial risk in keeping with industry standards and establish appropriate retained earnings and Rate Stabilization Reserve target levels for each line of business.

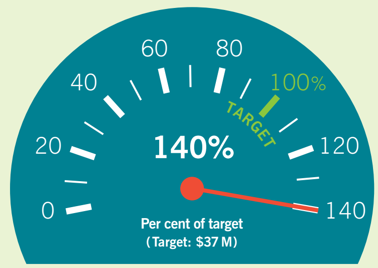
MEASURES



Basic Rate Stabilization Reserve



Extension Retained Earnings



SRE Retained Earnings

Goal 6

Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

STRATEGIES

6.1 To foster a culture accepting of diversity. To attract, recruit, train and motivate target group candidates throughout the corporation. To build positive relationships within the Aboriginal community and to encourage employee involvement in this endeavour. To remove systemic barriers that might impede our progress toward these goals.

6.2 To continue to respond to the issues raised by our employees. Particular emphasis will be given to providing clear direction and fostering a management style that reflects our values and supports employee commitment to the organization.

continued on next page...

STRATEGIES

6.3 To use change management strategies that ensure communication, education and employee training support and facilitate business change.

6.4 To ensure employees are provided with effective, informative and timely two-way communication.

MEASURES

Level of employee satisfaction

Goal 7

Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the corporation is living its mission.

STRATEGIES

7.1 To ensure Manitobans meet and continue to maintain established standards of knowledge, skill and behaviour to gain access to Manitoba roads.

7.2 To ensure vehicles and vehicle repairs meet provincial standards of mechanical soundness.

7.3 To develop strategies and initiatives that support continuous vehicle and driver performance monitoring to ensure Manitoba roads remain safe for everyone.

7.4 To develop a clear and understandable method to reward good drivers and ensure that individuals pay insurance rates that reflect the risk they represent on the road.

7.5 To develop and manage education and awareness initiatives based on factors that contribute to automobile accidents and the actions Manitobans can take to prevent them.

7.6 To partner with community groups across Manitoba supporting community-based initiatives that increase road safety awareness and education opportunities.

MEASURES

Public support for road safety

Results of Operations

Corporate

The corporation's financial mandate is to break even over the long term. During the reporting period, for every dollar of revenue earned, the corporation provided Manitobans with 80 cents in claims benefits. Broker commissions and premium taxes accounted for 10 cents of every dollar of revenue earned while other operating expenses including regulatory and appeal expenses cost 10 cents. These expenses were offset by investment income equal to about one cent per dollar of revenue. This resulted in the corporation's net income being about one cent for every dollar of revenue earned during the year.

CURRENT YEAR AND LAST YEAR

Net income from annual operations reported a decline of $92.4 million to $5.1 million. The improvement in underwriting results of $28.5 million was offset by a $120.9 million drop in investment income.

REVENUE

Total earned revenues increased by 4.2 per cent to $906.5 million in 2008/09 due mainly to increases in the number and value of vehicles insured in Manitoba.

Total earned revenues include $21.0 million received from the Province of Manitoba. This amount is received annually as part of the agreement with the Province of Manitoba for providing services related to driver and vehicle licensing operations.

CLAIMS COSTS

The corporation's overall claims costs dropped by $5.2 million, a decline of less than one per cent, to $723.4 million. The average Autopac (Basic and Extension) cost per claim increased by $201 to $2,288 while the total number of claims filed decreased by 25,463 from 280,319 last year to 254,856 in 2008/09. Last year's claims filed included just over 14,000 claims resulting from a severe hailstorm that struck Dauphin and other Manitoba communities in the summer of 2007.

Injury claims incurred increased by $16.1 million or 8.4 per cent from the previous year. Development on prior years' claims, mainly related to long-tail injury claims, was better than expected. As a result, claims incurred decreased by $35.4 million for the year. In 2007/08 development on prior years' claims was also better than expected, decreasing claims incurred by $62.5 million.

Physical damage claims incurred decreased by $28.8 million or 6.8 per cent from the previous year. The hailstorm that struck Dauphin and other Manitoba communities increased the 2007/08 claims incurred by $10.0 million, after reinsurance recovery.

Customer service improvement initiatives, including road safety expenditures, contributed to an increase in claims costs of $7.5 million.

EXPENSES

Total corporate expenses increased by $13.5 million to $182.6 million as the corporation continued to integrate driver and vehicle licensing operations and invest in customer service improvements made possible by the October 2004 merger.

INVESTMENT INCOME

Total investment income, net of impairments and investment management fees, was $4.6 million compared to $125.5 million last year. The $120.9 million decrease is primarily due to the high gains on equity investments realized last year along with the impact of the global financial crisis on the equity and bond portfolios this year. Refer to Note 13 of the Financial Statements for a breakdown of investment income by type of investment.

Where Your Premium Dollar has Gone

TOTAL CLAIMS COSTS	OPERATING & REGULATORY/ APPEAL EXPENSES	BROKER COMMISSIONS	PREMIUM TAXES
80¢	**10¢**	**7¢**	**3¢**

TOTAL EARNED REVENUES **$1.00** – TOTAL CLAIMS AND EXPENSES **$1.00** = UNDERWRITING INCOME **0¢** + INVESTMENT INCOME **1¢** = NET INCOME **1¢**

Manitoba Public Insurance invests money it sets aside for future claim payments and other liabilities. Investment income reduces rates that would otherwise be payable by policyholders. The total fair value of the corporation's investment portfolio was $2.0 billion at February 28, 2009, a decline of $165.6 million or 7.6 per cent from the previous year. The bond portfolio, which accounts for 72.8 per cent of the investment portfolio, is invested in three types of bonds:

- Marketable bonds, mainly issued by the governments of Manitoba and other provinces, including floating rate notes (40.6 per cent of the total portfolio market value);
- Non-marketable bonds issued by Manitoba municipalities and school divisions and purchased through the Manitoba Department of Finance (20.7 per cent); and
- Real return bonds providing returns linked to the rate of inflation and issued by the Government of Canada and provinces (11.5 per cent).

Manitoba Public Insurance contracts five external investment managers to administer its Canadian equity portfolio, which represents 10.6 per cent of the total investment portfolio. The corporation also has 2.8 per cent of its portfolio in United States equities, which are actively managed by one external investment manager and the corporation has passive exposure to the U.S. equity market through two Exchange Traded Funds. Through the Manitoba Department of Finance, the corporation uses forward contracts to offset the effect of currency movement changes on its U.S. dollar denominated assets. Short-term investments account for 13.4 per cent of the investment fund, and venture capital and private equity investments represent 0.4 per cent of the portfolio's carrying value.

The total portfolio, on a market-value basis, had a negative 5.8 per cent return during the fiscal year reflecting the general decline in capital markets. Marketable bonds returned 4.0 per cent, non-marketable bonds 6.5 per cent, floating rate notes 2.2 per cent and real return bonds negative 8.1 per cent. Large cap Canadian equities returned negative 37.8 per cent over the same time period, small cap Canadian equities declined by 36.3 per cent and U.S. equities declined by 50.0 per cent, including the currency hedge. Over a four-year period, the investment portfolio has achieved an annualized return of 3.4 per cent.

Basic

CURRENT YEAR AND LAST YEAR

Basic insurance reported a net loss from annual operations of $8.2 million, a decline of $77.2 million from the previous year. The improvement in underwriting results of $27.9 million was offset by a $105.1 million drop in investment income.

REVENUE

Total earned revenues increased $32.6 million to $715.3 million, as the number of policies in force at year end increased to 912,374 from 887,234.

CLAIMS COSTS

Total claims costs of $622.9 million – including claims payouts and handling, loss prevention and road safety expenses – decreased by less than $0.1 million.

Injury claims

Injury claims costs increased from last year by $18.0 million to $190.0 million. While the number of injury claims declined by 768 to 16,943, the first decrease since 2005, the severity of Personal Injury Protection Plan (PIPP) claims rose by $727 to $3,022. The current year's results include improvements to PIPP benefits of $90.8 million, which was recorded on a one-time basis. Excluding these improvements, the severity of PIPP claims decreased by $747 to $1,548.

Physical damage claims

Physical damage claims costs decreased $23.8 million to $329.5 million. While the number of collision claims of 146,934 remained essentially the same as last year, the cost of these claims increased $6.3 million to $247.6 million, a rise of 2.6 per cent. Comprehensive claims costs – which include primarily glass, weather-related, theft and attempted theft claims incurred – declined $28.1 million. Glass claims incurred rose $0.6 million. Basic's share of the hailstorm that struck Dauphin and other Manitoba communities increased the 2007/08 claims incurred by $8.9 million, after reinsurance recovery. The Immobilizer Incentive Program and Winnipeg Auto Theft Suppression Strategy (WATSS) are having a significant positive effect on theft claims as total theft claims costs decreased $10.0 million or 38.6 per cent. Attempted theft claims costs fell $4.1 million or 40.2 per cent, and partial theft claims costs decreased 31.6 per cent or $0.8 million.

Years Ended February 28/29					
Type of Claim	**2009**	2008	2007	2006	2005
Chronic pain	**10**	39	59	61	46
Fatal	**131**	159	161	144	157
Brain injury	**44**	86	74	80	69
Quadriplegic	**3**	5	1	3	4
Paraplegic	**6**	6	14	9	5
Broken bones	**766**	785	837	728	703
Whiplash	**14,669**	15,173	14,508	12,725	12,490
Bruising/Lacerations	**651**	707	610	539	692
Other	**663**	751	1,179	1,531	1,510
Total	**16,943**	17,711	17,443	15,820	15,676

EXPENSES

Basic's expenses increased $4.8 million to $104.2 million. Commission costs and premium taxes increased $2.2 million and $2.8 million respectively, both directly related to the rise in earned revenues.

INVESTMENT INCOME

Basic's share of corporate investment income, net of impairments and investment management fees, was $3.7 million compared to $108.8 million last year, a decline of $105.1 million.

RETAINED EARNINGS

Basic's retained earnings are made up of the Rate Stabilization Reserve (RSR) and the Immobilizer Incentive Fund (IIF). As at February 28, 2009, Basic retained earnings totaled $136.9 million ($145.0 million previous year). Of that total, the RSR made up $134.9 million ($127.1 million previous year) and the IIF totaled $2.0 million ($17.9 million previous year).

Funding for the RSR is derived from the annual operations of the Basic insurance plan. The IIF was created in 2005 to provide financial assistance for vehicle owners to install electronic immobilizers and covers the administrative costs of the program. Since that date, $50 million has been appropriated from the RSR to fund the IIF. Activity to February 28, 2009 has reduced the IIF to $2.0 million.

As outlined in the Notes to the Financial Statements (Note 7), the corporation and the Public Utilities Board (PUB) have established different RSR targets for the Basic insurance plan. In Board Order 157/08, the PUB wrote "the Board finds the divergence of views between the Board and MPI (as to what should be the RSR range) not to be in the public interest, and will attempt to bring about a consensus on an RSR range that can be accepted by all parties (Board, MPI and interveners)." While the

Years Ended February 28/29					
Basic Autopac Five Year Statistics ($000)	**2009**	2008	2007	2006	2005
Premiums Written	**714,265**	675,762	654,800	631,693	605,939
Claims Incurred	**519,541**	525,287	534,860	520,962	457,221
Claims Expense	**77,620**	73,146	68,965	67,169	65,270
Other Expenses	**129,997**	123,963	114,330	103,923	92,243
Net Income (Loss)	**(8,165)**	69,040	47,783	85,703	59,943
Net Income (Loss) after Surplus Distribution	**(8,111)**	6,475	(11,869)	27,703	59,943

corporation agrees that the divergence of views is not in the public interest, it remains strongly committed to the use of industry-standard techniques and processes for assessing financial risk. Management believes that such techniques and processes are most appropriate when directly applicable to the corporation's particular circumstances.

Extension

CURRENT YEAR AND LAST YEAR

Extension insurance reported a net loss of $1.7 million comprised of net income from the sale of extension products of $14.3 million ($24.1 million net income last year) and a $16.0 million net loss ($11.8 million net loss last year) resulting from the driver and vehicle licensing functions. The loss due to driver and vehicle licensing operations was $8.3 million with the remaining $7.7 million loss due to project costs. These project costs are recovered from the Extension Development Fund. Net income from the sale of extension products declined by $9.8 million as underwriting results fell by $1.0 million and Extension's share of investment income dropped by $8.8 million.

REVENUE

Earned revenues from the sale of extension products increased $9.4 million to $118.6 million. All products, including the sale of coverage for third-party liability, deductible buy-down, loss of vehicle use and off road vehicle damage contributed to the increase.

A $21.0 million recovery from the Province of Manitoba is received each year to partially offset driver and vehicle licensing operating costs.

CLAIMS COSTS

Total claims costs – including claims benefits, claims handling, loss prevention and road safety expenses – increased $5.0 million to $73.6 million. Physical damage claims costs decreased by $5.5 million, exhibiting the same trends as the Basic line of business. Injury claims increased by $9.4 million due primarily to increased severity.

EXPENSES

Extension's expenses increased $5.4 million to $31.1 million. Commission costs rose by $5.0 million as a result of an agreement effective June 1, 2008 between the Corporation and the Insurance Brokers Association of Manitoba, which raised commission rates for the sale of Extension products.

INVESTMENT INCOME

Extension's share of corporate investment income, net of impairments and investment management fees, was $0.4 million compared to $9.2 million last year, a decline of $8.8 million.

RETAINED EARNINGS

Extension's total retained earnings are made up of retained earnings from the sale of Extension products, driver and vehicle licensing operations and the Extension Development Fund (EDF). As at February 28, 2009, Extension retained earnings totaled $41.0 million ($50.9 million previous year) and the EDF totaled $59.4 million ($35.4 million previous year).

Years Ended February 28/29

Extension Five Year Statistics ($000)	**2009**	2008	2007	2006	2005
Premiums Written	**118,693**	110,618	100,754	92,205	85,751
Claims Incurred	**63,517**	59,621	60,925	55,786	53,449
Claims Expense	**8,807**	7,988	7,868	7,854	7,120
Other Expenses	**68,441***	58,710*	55,144*	49,753*	29,377*
Net Income (Loss)	**(1,684)**	12,351	3,235	9,168	7,129

* Includes expenses related to driver and vehicle licensing functions, which were transferred to Manitoba Public Insurance from the Manitoba government in October 2004. These expenses are offset by an annual payment of $21.0 million from the Province of Manitoba.

Since its inception in 2007, $70.7 million has been appropriated from Extension retained earnings ($27.2 million) and Special Risk Extension retained earnings ($43.5 million) to fund the EDF projects undertaken to maximize the opportunities presented by the 2004 merger of the corporation and the Division of Driver and Vehicle Licensing. Activity to February 28, 2009 has reduced the EDF to $59.4 million. Additional information is provided in the Notes to Financial Statements (Note 22).

Special Risk Extension (SRE)

CURRENT YEAR AND LAST YEAR

SRE insurance reported net income of $14.9 million, a decline of $1.2 million from the previous year. The improvement in underwriting results of $6.6 million was offset by a $7.8 million drop in investment income.

REVENUE

Total earned revenues decreased $4.3 million to $52.4 million. The current global decline in economic activity has negatively affected sales of SRE products, which include large trucking companies' liability, cargo and physical damage coverage.

CLAIMS COSTS

Total claims costs, including claims expense and loss prevention and road safety expenses, decreased $10.2 million to $26.9 million. Physical damage claims incurred increased by $0.5 million due mainly to increased severity. Liability and cargo claims incurred decreased by $11.4 million due to decreases in both volume and severity. The decrease in claims incurred was offset by increased claims expense and loss prevention and road safety costs of $0.7 million.

EXPENSES

SRE's expenses decreased $0.8 million to $11.3 million. Commission costs and premium taxes decreased $0.7 million and $0.1 million respectively, both directly related to the decline in earned revenues.

INVESTMENT INCOME

SRE's share of corporate investment income, net of impairments and investment management fees, was $0.6 million compared to $8.4 million last year, a decline of $7.8 million.

RETAINED EARNINGS

SRE's retained earnings are derived from the annual operations of the SRE line of business. As at February 28, 2009 SRE's retained earnings were $51.9 million compared to $52.9 million last year. SRE retained earnings have also contributed $43.5 million to fund the EDF, since its inception in 2007.

Years Ended February 28/29

SRE Five Year Statistics ($000)	**2009**	2008	2007	2006	2005
Premiums Written	**52,724**	55,673	56,824	55,418	53,436
Claims Incurred	**22,585**	33,491	32,585	39,842	31,074
Claims Expense	**4,016**	3,371	3,017	3,563	2,678
Other Expenses	**11,520**	12,207	12,016	11,315	11,863
Net Income	**14,899**	16,049	17,370	10,938	12,449

Risk Management

Unpaid Claims

Manitoba Public Insurance maintains provisions for unpaid claims on a discounted basis to cover its future claims commitments. The corporation makes provisions for future development on claims that have been made, and an estimate for those that may have occurred but have not yet been reported.

In the case of major injuries, only a small portion of the total benefit is paid in the first year. As time passes and more information is available, the estimates are revised to reflect the most current forecast of claims costs.

Because the total amount paid on any single claim may be different from its initial reserve, Manitoba Public Insurance reviews the adequacy of these reserves annually. Adjustments, if needed, are calculated by the corporation's actuary. An independent assessment of the reserves is also conducted by the corporation's external actuary. The external auditor also reviews the adequacy of the reserves as part of its annual audit of the corporation's financial results.

This process has demonstrated a growing potential for volatility in financial results from year to year. If the current $1.56 billion unpaid claims provision increased by five per cent, the impact on the corporation's annual bottom line that year could be approximately $78.0 million – about $21.5 million more than the risk of the same shift five years ago, when unpaid claims provisions totaled $1.13 billion. By fiscal year ending February 28, 2013, unpaid claims provisions are expected to total $2.10 billion and a five percentage point shift could have a $105.0 million negative impact on the corporation in one year.

Investments

In accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*, the Minister of Finance is responsible for the investments of the corporation. The Minister has charged the Department of Finance with the operational management of the fund. The corporation, through the Investment Committee of the Board, and the Department jointly determine appropriate policies and strategies to mitigate risk. A complete description of these risks and risk mitigation strategies are outlined in the Notes to Financial Statements (Note 6).

The Corporation's Service Delivery Model

Manitoba Public Insurance was created in 1971 with the primary purpose of administering the basic universal compulsory auto insurance program. From the beginning, basic insurance was charged to both vehicle owners and drivers in an integrated manner along with vehicle registration and driver licensing. Said another way, registration and insurance have been inextricably linked on both driver's licences and vehicle registration since 1971. This integration of licensing and insurance is one of the single largest advantages of our public insurance system because it significantly reduces the likelihood of uninsured drivers on the roadway by ensuring that all licensed drivers are insured drivers and all registered vehicles are insured vehicles.

Beginning in 1971, until the merger of the Division of Driver and Vehicle Licensing (DDVL) into the corporation in 2004, work effort and responsibility were shared in the following manner:

- Manitoba Public Insurance administered vehicle registration and insurance processing, and
- Manitoba government DDVL administered driver's licensing and insurance processing.

In 2004, the government merged the operations of the former DDVL (which was a division of the Department of Transportation and Government Services) into Manitoba Public Insurance and the Corporation became responsible for the administration of the *Drivers and Vehicles Act* (DVA).

The government's stated objectives for the 2004 merger were:

- Improve customer service;
- Save costs and become more efficient by reducing overlap and duplication; and
- Create a new model for meeting the licensing, registration and insurance needs of Manitobans.

To that end, we have worked hard to close redundant facilities, decommission old single-purpose computer systems in favour of integrated systems and databases, and provide seamless cohesive services to Manitobans.

The result of these efforts has been a complete integration of the four components of driver's licensing and vehicle registration (driver licensing, vehicle registration, driver insurance and vehicle insurance). This is a significant improvement over the integration of two components in two separate systems that existed before the merger.

Manitoba Public Insurance will continue to operate four lines of business (Basic, Extension, Special Risk Extension, DVA Administration). However, many of the corporation's services, systems, databases, functions and, therefore, expenses will continue to be fully integrated.

Manitoba Public Insurance delivers products and services to customers through two distinct channels – Manitoba's extensive network of more than 300 independent Autopac brokers, and the corporation's own service locations throughout the province. In 2008, both channels continued to evolve as the corporation capitalized on the synergies presented by the ongoing integration of licensing and insurance functions. The net result will be fewer corporate buildings and lower overhead, yet wider availability of many services.

BROKER NETWORK

Independent insurance brokers are the main conduit for selling and renewing Autopac insurance, and they are taking on additional responsibilities as the services of Manitoba Public Insurance are integrated. This transition began in 2006, when Autopac brokers became the primary means of renewing driver's licences. It continued in 2008, as brokers became one of the first points of contact for Manitobans interested in the new Enhanced Identification Card (EIC).

In addition to acting as the distribution network for the EIC applicant's guides, brokers are now booking interview appointments and collecting application fees from Manitobans opting to obtain the new voluntary travel card. Brokers play a similar role with Manitoba's basic Identification Card, introduced in May 2009.

Customers have responded very favourably to the broadening of the Autopac broker's role. For example, in 2008, 95 per cent of customers renewing their driver's licences with Autopac agents were satisfied with the service they received. This is seven percentage points higher than the 88 per cent that were satisfied before brokers began playing such a major role in the delivery of driver licensing services.

By involving brokers in a wider range of services, Manitoba Public Insurance is also helping to ensure that these local independent businesses remain strong and viable. This is an important objective for the corporation because it recognizes that insurance brokers are the most efficient and convenient means of providing key in-person services such as photographing customers for new driver's licences.

SERVICE CENTRES

Services not handled by brokers are delivered by the corporation's other main service channel – its 27 customer service locations throughout Manitoba. These corporately owned facilities focus on services that require direct involvement with a Manitoba Public Insurance employee, such as driver testing and claims estimating.

In the past, each of these facilities handled either claims services or driver/vehicle licensing services, but never both. Now these services are being brought together as the corporation begins to convert Claim Centres into full-service facilities called Service Centres. These facilities will continue to process claims, while also providing customers with services such as driving tests, vision screening and commercial vehicle registration. As these services relocate, the corporation is closing driver and vehicle licensing locations, which will eventually reduce annual costs by about $5 million.

The Service Centre concept has been successfully piloted in Winkler – and in 2008, Manitoba Public Insurance prepared to roll out the model to other locations across the province. The new Service Centre sign appeared at the former Claim Centres in Brandon and Thompson as those locations made the transition. Renovations to accommodate the expanded range of services were also under way at several Winnipeg Claim Centres, which were slated to make the conversion in 2009. The remaining rural Claim Centres will move to the model in stages to manage risk and customer impact.

Customers will benefit from this new service delivery model because there are currently twice as many Claim Centres as driver and vehicle licensing locations. As these services co-locate with claims services, Manitobans will gain access to more full-time services in more communities, even though building and overhead costs will be reduced.

NEW SERVICE LOCATIONS

In 2008, the corporation moved ahead with plans to construct four new buildings. Two new service locations will be added in Winnipeg to serve the growing populations of the city's northeast and southern communities, and existing locations will be replaced in north-central Winnipeg and Selkirk.

The three Winnipeg sites were selected after careful evaluation and independent assessment by a third-party expert. One of the objectives was to decrease the environmental impact of service delivery by reducing the distance customers would need to drive. Considerations included housing starts, population growth and projected claims growth. Each of the centres will be 28,500 square feet and will offer a full range of claims and licensing services.

The new location in Selkirk will also be more centrally located to reduce driving distance and increase customer convenience. It will be smaller than the new Winnipeg buildings, and will replace an aging centre in Selkirk.

All of the new centres will meet the standards of Leadership in Energy and Environmental Design (LEED) silver status. This will significantly reduce their energy consumption and environmental impact, using technologies such as geothermal heat recovery systems and motion sensors for lighting.

Road Safety

The corporation continues to focus on education, awareness and strategies to build community involvement in designing road safety programs. Our goals are to inform and educate Manitobans about key road safety concerns, including the risks and costs associated with speeding, drinking and driving, and non-use of occupant restraints.

Traditional road safety models require co-ordinated educational, enforcement and engineering efforts to have a maximum impact. We continue to work closely with other safety stakeholders throughout Manitoba to develop this co-ordinated effort.

The corporation continues to support Canada's national road safety plan, Vision 2010. The goal of Vision 2010 is to raise public awareness of road safety issues, strengthen enforcement, improve national road safety data quality, and improve collaboration among road safety agencies.

Toward that end, we launched in 2008 a joint initiative with the RCMP to hire a data analyst for a two-year pilot project to improve the timeliness and quality of road safety data. It's anticipated that a dedicated data analyst will provide more comprehensive and complete data to allow the corporation's road safety program designers to sharpen their focus and create more effective education and awareness campaigns. From the RCMP perspective, it provides them with additional information they can use to tailor enforcement efforts. We also continue to work very closely with the Winnipeg Police Service and other municipal forces on strategies to build awareness of road safety risks.

In 2008 the corporation signed a Memorandum of Understanding with St. John Ambulance, another important road safety partner. The agreement lets Manitoba Public Insurance certify child car seat technicians to St. John Ambulance standards after candidates have completed a two-day technical course.

The corporation continues to work closely with Safety Services Manitoba as our primary provider of road safety and driver improvement courses.

Auto Theft Strategies

Manitoba Public Insurance continues to make significant progress in reducing auto crime – in almost every category.

The number of total thefts of vehicles in Manitoba has continued to fall for 31 of the last 32 months. Attempted theft numbers have seen similar declines in the last 19 months. Combined, total and attempted thefts are now the lowest in the province since 1992.

The progress made in 2008 compared to 2007 is equally striking. In 2008, there were 4,002 total thefts and 3,676 attempted thefts, or a combined reduction of 41.1 per cent from 2007, when there were 6,380 thefts and 6,655 attempted thefts.

Since 2006, when the combined total and attempted theft numbers peaked in Winnipeg, total and attempted auto theft has dropped 61 per cent overall in the city. To put that in real numbers, the Winnipeg Police Service reports that in 2008, the average number of vehicles stolen daily was 9.7, or less than half of the number stolen in 2006, when almost 23 vehicles were stolen every day.

These successes can be attributed to two initiatives, the Winnipeg Auto Theft Suppression Strategy (WATSS) and the immobilizer program.

WATSS

WATSS is a partnership between Manitoba Public Insurance, Manitoba Justice and the Winnipeg Police Service. Protecting vehicles by installing immobilizers and keeping tabs on auto thieves through an extensive curfew program have together helped bring the problem under better control.

WATSS provides intensive monitoring of the worst repeat offenders, using the combined forces of families, schools, social services, law enforcement and probation. In 2008, WATSS continued to monitor youth most likely to commit auto theft. All together some 141 youth were monitored, with 121 of them being classed as Level 4 repeat offenders. These Level 4 offenders, when they aren't incarcerated, can be contacted as often as every three hours.

Additionally in 2008, 789 auto theft-related arrests were made. Of those, 252 were adult and 537 were youth. This number is down 27 per cent from 2007, when 1,079 arrests were made involving 354 adults and 725 youth.

IMMOBILIZERS

In June 2005, the corporation announced the creation of an Immobilizer Incentive Fund to provide Manitobans with financial incentives to install electronic immobilizers in their vehicles.

In April 2006, the corporation realized voluntary incentives were not being used by owners of vehicles most targeted by auto thieves. A Most-at-Risk list was subsequently developed and a decision was made to provide a free basic installation for any vehicle on the list.

It became clear the voluntary program was not going to protect a sufficient number of vehicles to have the required impact on theft numbers. As a result, in September 2006, a regulation came into effect requiring Most-at-Risk vehicles that had previously been stolen or were new to Manitoba to be immobilized. In September 2007 the immobilizer regulation was amended; some 30,000 owners of Most-at-Risk vehicles had not participated in the program. The amended regulation now required any Most-at-Risk vehicle operating in or commuting to Winnipeg to be protected with an approved immobilizer.

As of March 1, 2009, 98 per cent (57,588 vehicles) of that initial Most-at-Risk category are now protected with aftermarket immobilizers in Winnipeg. The effects of immobilizing this particularly vulnerable segment of the fleet have been striking. Since 2004, the last year prior to the introduction of the immobilizer program, total thefts in the initial Most-at-Risk group are down 94 per cent, and attempted thefts are down 72.5 per cent.

In October 2008, the regulation was amended with an expanded Most-at-Risk schedule. This now includes an additional group of approximately 50,000 vehicles which were at increasingly higher risk of theft, likely because more of the most easily stolen vehicles were protected. To date, 56 per cent (30,188 vehicles) of this newest Most-at-Risk group are now protected in Winnipeg.

All told, 78.1 per cent of all Most-at-Risk vehicles in Winnipeg now have aftermarket immobilizers, thanks to the participation of some 149,339 owners. Combined with government legislation that made factory-installed immobilizers mandatory in all new vehicles manufactured after September 1, 2007, the number of vehicles on Manitoba roads and highways now protected with immobilizers sits at 61 per cent, up dramatically from 18 per cent in 2005.

IMPACT OF AUTO THEFT INITIATIVES

Our original objective in funding the WATSS program in 2005 was to reduce claims costs by $6 for every $1 we invested into it. Over the last four years this objective has been more than met. Added to that are the savings realized as a result of the increasing number of immobilized vehicles. The real cost of auto theft in 2008 is almost $26 million less than had been forecasted in 2004, before WATSS and our immobilizer incentive program.

Claims costs for total and attempted theft continue to drop. In 2007 auto theft cost the corporation roughly $27 million. In 2008, the number of claims reported by Manitobans fell in all auto crime categories, reducing claims costs by $14 million:

- Total theft claims costs declined $10 million or 39 per cent;
- Attempted theft claims costs declined by $4 million or 40 per cent; and
- Partial theft claims costs declined by $0.8 million or 32 per cent.

Ultimately, the most important measure of success in reducing auto theft is in keeping joyriding, reckless car thieves off Manitoba streets and highways. As witnessed by these significant decreases in auto crime, Manitoba Public Insurance is proud of its multi-pronged approach to auto theft.

Outlook

The corporation remains committed to achieving its seven Corporate Goals. Actual results are monitored quarterly by the Board of Directors and corrective action is taken when necessary to ensure that expected outcomes are realized.

Under *The Crown Corporations Public Review and Accountability Act*, Manitoba Public Insurance is required to submit Basic Autopac rates to the Public Utilities Board (PUB) for approval. The corporation generally files its rate application in June of each year for the fiscal year beginning the following March.

Basic Autopac Rates

On December 2, 2008 the PUB released its ruling on Manitoba Public Insurance's rate application for the 2009/10 fiscal year. Effective March 1, 2009, overall basic compulsory insurance premiums will decrease by an average of one per cent over 2008/09 rates. Average premiums will decrease by 1.5 per cent for owners of private passenger vehicles. Commercial vehicles, motorcycles and public vehicles will experience an average increase of 3.9 per cent, 7.2 per cent and 2.3 per cent respectively. The main components and coverages of the Basic insurance plan will remain unchanged from the previous year.

Net Income

Current projections indicate that the corporation is expected to realize a net income of approximately $14.1 million during the 2009/10 fiscal year.

Business Process Review

In 2005/06, the corporation initiated the Business Process Review (BPR) to undertake the important task of integrating the operations of the former Driver and Vehicle Licensing Division of the province's Department of Transportation and Government Services. The goals of the merger were to reduce costs, improve service and maximize the available synergies. With the aid of technology and process improvements, the corporation would capitalize on these opportunities, leading to enhancements in customer service, operating efficiency and road safety.

After four years of intense activity, the corporation has successfully integrated all driver licence issuing and renewing processes through its Autopac agent network and Autopac On-Line, introduced new voluntary identity documents and is now in the final stages of introducing the most significant service improvements that take full advantage of the opportunities presented by the merger. As well, the corporation is in the final stages of converting all major claim centres to full access "Service Centres."

All of the improvements described here were developed simultaneously to maximize synergies and efficiencies while building on progress made in the previous three years. The changes were enabled by legislation passed by the Manitoba government during 2008.

DRIVER SAFETY RATING

The greatest single advantage of the merger was the opportunity to align Manitoba's various systems for rewarding safer drivers and motivating higher-risk drivers to change their behaviours. The corporation responded to this opportunity by developing the Driver Safety Rating.

The aim of this new model is to bring greater consistency, simplicity and equity to the merit/demerit system, while also making it easier for customers to see how individual driving behaviour affects the amount they pay for driver and vehicle insurance. By making this link more obvious, the corporation hopes to encourage more Manitobans to drive safely and reduce overall claims costs.

The concept was refined by a collaborative team representing all areas of the corporation. Their objective was to devise a practical system that would build on the best features of the former system, while removing the confusion and complexity that limits its effectiveness.

The resulting model is a simple up-and-down scale that shows how much risk a driver brings into the insurance pool, and how much premium the driver should pay as a result. A year of driving with no at-fault claims or incidents will move a driver up one merit level at his or her annual reassessment time. At-fault claims and traffic violations will move a driver down the scale by varying amounts, depending on the severity of the incident. Insurance discounts increase as a driver moves up the merit side of the scale, and surcharges increase as a driver moves down the demerit side of the scale.

In September 2008, the corporation was ready to introduce the Driver Safety Rating model to Manitobans through a public consultation process. The corporation published a discussion paper on the model and invited Manitobans to share their views by way of written submissions, an online survey and e-mail. To generate discussion and interest among a broad cross-section of the public, the corporation set up information displays at nine shopping malls across the province. General awareness was created using newspaper ads and a special section on the corporation's website.

The response from the public was extremely positive. The mall displays resulted in discussions with more than 1,000 Manitobans, and the online survey was completed 390 times. The survey also generated more than 220 written comments. Of those responding to the survey:

- 94 per cent agreed "there should be higher rewards for the safest drivers and higher penalties for those who persist in higher risk behaviour."
- 92 per cent agreed that they "support the idea of one integrated scale for driver safety rating."
- 82 per cent agreed that "the proposed system is fair" and "easier to understand than the current system."

Following the public consultation, the corporation submitted its Driver Safety Rating proposal to the Manitoba government for consideration. The proposal included a transition plan that would ensure very few drivers would pay more during the first year of implementation, compared to what they would have paid that year under the former system. It also recommended a scale with 10 merit levels during the first year of the program, increasing to 15 merit levels within the following five years. In January 2009, the Manitoba government accepted the proposal.

By the end of the fiscal year, the corporation submitted its first application to the Public Utilities Board for rates under the new system. The rates requested in the application would see the corporation collect almost $11 million less in driver premiums from the day the new model is introduced and onward. The safest Manitoba drivers would pay no driver premium (or $5 if they don't own a vehicle), compared to their current driver premium of $20. The Public Utilities Board was expected to rule on the rate application in the first quarter of fiscal 2009/10.

To make the most of the system, the corporation also developed a new style of renewal and reassessment notices. New document composition software will be used to create personalized documents for each driver, clearly showing how the customer's driving experience during the past year has moved her or him up or down the Driver Safety Rating scale. The documents were developed and focus-tested in 2008/09, and will be introduced to customers when the Driver Safety Rating takes effect.

ONE-PIECE DRIVER'S LICENCES AND STREAMLINED RENEWAL PROCESS

Research shows that 85 per cent of Manitobans make no changes to their auto insurance coverage from year to year. Recognizing this fact, the corporation has developed a streamlined renewal process that will require customers to renew in person only once every five years. Preparations for the new process were completed in 2008/09, for introduction to customers in 2009/10.

Manitoba will transition to a one-piece driver's licence that encompasses all information currently held on the two-part licence. Further, while the physical licence will be issued for a five-year period, Manitobans will continue to make driver's licence fee and premium payments annually, being rated based on their driving record in the preceding year.

Under the new system, policies will be five years in duration, rather than one year, but customers will continue to be reassessed annually. Every five years, customers will receive a renewal notice informing them that it's time to visit a broker or service outlet to sign new documents and have a new photo taken. In other years, they will receive a reassessment notice explaining how their annual premiums have changed. If they are enrolled in an automatic payment plan, there will be no need for them to visit a broker during these years; their payments will continue automatically.

The convenient new process would not be possible without other recent improvements, such as the alignment of renewal dates and processes for driver's licences and auto insurance policies in 2006. In this way, the corporation is using completed strategic initiatives as the foundation for future customer service improvements.

NEW BROKER COMPENSATION AGREEMENT

The streamlined renewal process also necessitated a new model for compensating the independent insurance brokers who deliver auto insurance and driver licensing services on behalf of the corporation. Anticipating that many customers will choose to renew automatically in the future, the corporation worked with brokers to ensure these businesses remain strong and viable under the new system. This is an important consideration for the corporation because the extensive broker network is the most cost-effective means of providing essential in-person services to customers across the province.

The corporation worked with the Insurance Brokers Association of Manitoba to develop the new compensation plan, which was ratified by the association's members in September 2008. The plan provided an immediate increase in commissions for sales of optional coverage and increased flat fees for other types of transactions. Compensation for driver's licence insurance is now based on a percentage of written premium, rather than a flat fee. Basic Autopac commissions will decrease gradually, to recognize the reduction in annual renewal workload handled by brokers. The new model also accommodates new product and service offerings, such as the Enhanced Identification Card.

The new compensation model, combined with the streamlined renewal process, is designed to balance the best interests of brokers and customers. Streamlined renewals will reduce operating expenses, creating savings that can be passed on to customers, while the new compensation model will ensure a strong broker network remains in place.

DRIVER'S LICENCE AND IDENTIFICATION CARD IMPROVEMENTS

At the request of the Manitoba government, the corporation made preparations in 2008 to offer Manitobans the Enhanced Identification Card (EIC), a new voluntary option for meeting the requirements of the Western Hemisphere Travel Initiative. WHTI requires everyone 16 and older to have a passport or approved alternative when entering the United States by land or water, as of June 1, 2009. EICs are an acceptable alternative for this purpose, provided they meet the specifications and standards outlined by the U.S. government.

During 2008/09, Manitoba became the first province in Canada to introduce an EIC program on a large scale. In addition to developing the actual card, the corporation worked with provincial, Canadian and U.S. government agencies to establish procedures for secure processing and transfer of data, and interviewing applicants. All privacy and disclosure considerations were addressed in consultation with the provincial Ombudsman through the Manitoba government's Privacy Impact Assessment. The first cards were on track to reach applicants at the end of May 2009, just before the effective date for the new U.S. travel regulations. In 2009/10, the corporation plans to provide Manitobans with the additional option of obtaining an Enhanced Driver's Licence (EDL), which will provide proof of citizenship, age, identity and entitlement to drive, all in one card.

During 2008/09, the corporation also developed plans to introduce the basic Identification Card, which will fill a need for secure, government-endorsed photo ID among Manitoba residents who do not have a driver's licence, Enhanced Identification Card or other form of reliable identification. Provincial ID cards are offered by driver licensing bodies in most other Canadian jurisdictions. Like the EIC, Manitoba's basic Identification Card is completely voluntary.

While developing these new optional forms of ID, the corporation introduced upgrades that will also improve the security of Manitoba's driver licensing system. New facial recognition software was introduced to thwart attempts to obtain driver's licences and identification cards using another person's identity, thereby helping to protect Manitobans from identity theft. The corporation's identity verification resources were also expanded because of these programs.

AUTO THEFT

The corporation's auto theft strategy continues to evolve over time to meet emerging issues and challenges. As we enter 2009, theft rates continue to decrease monthly and we anticipate a further decline in auto theft during the next year in the neighborhood of 40 per cent.

The corporation expects to begin to see additional savings around auto theft in 2009 as the costs of the immobilizer program are fully absorbed. By the end of 2009, we anticipate 98 per cent of the second Most-at-Risk list will be protected.

As of this writing, the corporation does not foresee expanding the list of Most-at-Risk vehicles, since theft rates of those not on the Most-at-Risk list continue to be low. That said, we will continue to closely monitor trends in auto crime, and where necessary, develop new programs to ensure that the favourable trend continues.

Our original goal for the Immobilizer Program was to see 90 per cent of the Winnipeg fleet protected by 2010/11. Once this current group of Most-at-Risk vehicles is protected, we anticipate we will have approximately 75 per cent of the Winnipeg fleet protected. The group of vehicles labeled as unprotected have demonstrated very low rates of theft and we now feel it will be unnecessary to install aftermarket immobilizers in these vehicles. Our original goals for WATSS were to reduce auto theft by 20 per cent, to sustain that reduction until vehicles with high risk of theft were immobilized and to see claims savings of $6 for each $1 invested. We have gone well beyond these goals and anticipate continued savings and sustained theft reduction.

Corporate Governance

Responsibilities of the Board

Manitoba Public Insurance was created by an act of the legislature to achieve the corporation's founding principles. The corporation's Board, appointed by the Government of Manitoba, ensures that corporate policies are consistent with its public policy mandate. The Board is also responsible for policy development and approval, and provides oversight and monitoring. The Board consists of nine members. The President and Chief Executive Officer is an Ex-Officio Member of the Board and the Board Committees. The Board is currently at its full complement of nine members.

The corporation has a comprehensive annual strategic planning process. The Board approves a five-year strategic plan. From that document flow lines of business strategies, human capital forecasts, premises and technology requirements, as well as a financial forecast. Divisional plans and departmental strategies support the strategic plan.

Monitoring of companies is becoming stricter with the introduction of new compliance controls by government bodies and regulators. These entity-level controls are designed to enforce and improve transparency, accountability and integrity and include controls to ensure that:

- Ethical values including codes of conduct are communicated and enforced;
- Human resources policies and procedures are adhered to;
- Entity-wide risk assessment processes are in place;
- Financial reporting information systems are continuously being monitored; and
- The corporation complies with all sections of various legislative Acts.

To support these compliance controls and in particular to protect the financial well-being of the corporation, an anonymous and confidential Whistleblower Hotline system has been created for the receipt, retention and treatment of complaints from employees. The corporation has also completed implementation of *The Public Interest Disclosure* (Whistleblower Protection) *Act* provisions.

As these matters are of paramount concern to the Board of Directors and senior management, the corporation has retained the services of an independent third party to collect information and provide reports directly to the Chair of the Audit Committee, the Corporate General Counsel and Manager of Internal Audit – recognizing that employees will be more likely to submit reports if they have a direct channel open to them with which they are comfortable.

Furthermore, it is the policy of the corporation to ensure there are no reprisals against any employee for accessing the Whistleblower Hotline and making a report, should the identity of the reporting employee become known despite stringent provisions for confidentiality. The purpose of the policy is to prevent and limit abuses of accounting, auditing and internal controls by disciplining those responsible, not to discipline those who report such abuses.

The corporation's governance structure was reviewed to highlight accountability, organizational effectiveness and risk mitigation. All corporate risks were reviewed and a monitoring process is in place to ensure timely recognition and response. Specific Board responsibilities have been delegated to five committees that meet quarterly to monitor risk and provide direct oversight. For example, the Audit committee is responsible for evaluating about 40 specific risk profiles by likelihood and severity. These profiles were developed over time and are reviewed on an annual basis and placed into categories of high, medium and low risk. The Board committees include:

- Audit
- Budgeting and Operations
- Human Resources
- Investment
- Governance

One of the major developments currently being monitored by the Audit Committee and the Board relates to the introduction of International Financial Reporting Standards (IFRS) at Manitoba Public Insurance.

Under the provisions of *The Manitoba Public Insurance Corporation Act*, the Board chairperson is required to provide the Minister Responsible for Manitoba Public Insurance with an annual report, which is subsequently reviewed by the Standing Committee of the Legislature. Additional oversight is provided by the Crown Corporations Council, a body given legislative authority to conduct a mandate and strategy review of provincial Crown corporations, and the Public Utilities Board, which approves Basic Autopac insurance rates.

Whistleblower Report

This report on the Whistleblower Hotline covers the fiscal year March 1, 2008 to February 28, 2009. During this reporting period, the corporation received no reports through the Whistleblower Hotline.

There was, however, one complaint filed under Section 27(b) of the *Public Interest Disclosure* (Whistleblower Protection) *Act*. A former employee of Manitoba Public Insurance alleged that the termination of his employment constituted a reprisal against him for having made a disclosure of wrongdoing against his manager. Under the provisions of Section 27 of the *Public Interest Disclosure* (Whistleblower Protection) *Act*, this complaint was referred to the Manitoba Labour Board to be considered along with a complaint filed by the same employee under the Labour Relations Act seeking a remedy for alleged unfair labour practices by MPI.

As at year-end February 28, 2009, the Labour Board hearings into the complaints had not yet taken place. The complaint was dismissed by the Labour Board on April 1, 2009.

Fair Practices Office

Our public auto insurance system strives for continuous improvement in all aspects of its operation, particularly those aimed at ensuring fair and appropriate service to customers. With that goal in mind, the Fair Practices Office (FPO) was created in 1999.

The FPO is a means for customers and other interested parties to bring issues of a systemic nature to the attention of the corporation. The FPO generally deals with concerns related to corporate policy, or issues involving complex or unusual situations where the correct interpretation of policy may seem unclear. The office may initiate its own investigations or respond to inquiries referred by others. It is free to scrutinize the corporation's policies and procedures in an objective and constructive manner.

The office reports its observations directly to the President and Chief Executive Officer. It can recommend review of an issue and alerts senior management of any systemic concerns or policies that should be addressed.

Many of these matters are referred to the FPO by the provincial Ombudsman, by staff and by customers. Inquiries of a systemic or policy nature may also be referred by the Customer Relations unit, which deals primarily with individual customers.

The number of inquiries handled by the FPO has generally declined or remained stable in recent years – this year's total, 227, is up slightly from last year's 219. The corporation continues to improve processes for handling escalating concerns and for identifying duplicate inquiries. As a result, we anticipate an increasing number of individual customer concerns will continue to be successfully resolved without the involvement of the FPO.

2008 RESULTS

In the 2008/09 fiscal year, the FPO received 227 documented customer inquiries from the following referral sources:

Customer	70
Formal Ombudsman inquiries	24
Informal Ombudsman inquiries	119
Internal referrals	14

The FPO recommended the corporation revise its decision in 22 situations, or about 10 per cent of the cases it reviewed.

Compliance to Legislative Authority Audit

In 2005, at the request of the Auditor General of Manitoba, the corporation's external auditors undertook a pilot project to audit the corporation's compliance with specified legislative and related authorities. The external auditors concluded that the corporation complied in all material respects with the specified legislative and related authorities.

The corporation determined there is value in this process and therefore, since 2006, has engaged its external auditors to continue to conduct this audit. In 2008, this audit again found that the corporation is in compliance in all material respects with the specific legislative and related authorities.

Compliance to Legislative Authority: Sustainable Development Act

In accordance with Section 14 of *The 1997 Manitoba Sustainable Development Act*, the corporation did not experience any environmental incidents between March 1, 2008 and February 28, 2009.

The corporation has established sustainable development procurement guidelines to encourage sustainable development practices on the part of suppliers and business partners.

SOILS TESTING

Manitoba Public Insurance tests new properties to identify any environmental contamination issues. New properties being developed in Winnipeg and Selkirk have been tested, with hydrocarbon contamination identified at one site and a remediation plan put into place before construction.

In 2008, the corporation also tested for the presence of heavy metals at its 1981 Plessis Road site. Sediment from 13 sampling locations in drainage ditches was tested with no or trace levels found. All levels were well below environmental thresholds.

WATER TESTING

The corporation annually tests the water quality of any facility that has a well as its main source of water. In 2008, testing found no signs of bacterial contamination in water samples.

The corporation annually tests run-off water from 13 sampling locations around its 1981 Plessis Road facility. In 2008, testing showed only minor traces of hydrocarbons and ethylene glycol at a small number of sampling locations. In all cases, the levels found were well below environmental thresholds.

RECYCLING AND THE USE OF RECYCLED GOODS

The corporation undertakes a number of programs to divert waste to other reusable forms. In 2008, it:

- Sold 22,646 vehicles through the salvage sales department to automobile recyclers or the public so the vehicles could be rebuilt or used for replacement parts in other vehicles;
- Used 87,415 recycled parts in claims repairs;
- Extracted Freon from air conditioning systems in 16,118 salvage vehicles;
- Extracted and used 20,813 litres of gasoline from salvage vehicles;
- Used 20.2 million sheets of 30 per cent recycled paper;
- Recycled 191.5 tonnes of paper and cardboard;
- Recycled 0.6 tonnes of plastic and metal containers;
- Recycled 2,470 square yards of carpet

FLEET VEHICLE MANAGEMENT

In 2008, the corporation's fleet expanded its use of more fuel-efficient and alternative fuel vehicles which now includes 74 gas/electric hybrid vehicles, and 20 E85 Ethanol fuel capable vehicles. In the last year, changes to the fleet resulted in a 9.2 per cent improvement in overall fuel economy.

FACILITIES MANAGEMENT

The corporation continues to apply sustainable practices in the construction and operation of its facilities, having adopted both the Leadership in Energy and Environmental Design (LEED) silver status for all future building projects, and the pursuit of Building Owners and Managers Association Go Green Plus (BOMA BESt) certification for existing buildings.

In 2008, two additional buildings were awarded Go Green Plus (BOMA BESt) certification, for a total of three. Four additional buildings are currently in this certification process.

The corporation's newest claim centres employ a number of energy efficient materials, designs and systems including high efficiency insulation and windows, ground source heat pumps, glycol heat recovery systems, variable speed motors, energy efficient lighting, natural light and occupancy lighting controls, temperature sensitive block heater plugs, and water conserving fixtures.

In older buildings the corporation monitors utility consumption and pursues sustainable upgrades during lifecycle replacement or major renovations by adding many of the features found in its newer buildings.

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments, which have been reached based on careful assessment of data available through the corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the corporation in accordance with Canadian generally accepted accounting principles.

M. J. McLaren
President and Chief Executive Officer

D. D. Palmer
Vice-President,
Finance and Chief Financial Officer

May 1, 2009

Auditors' Report

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 28, 2009 and the statements of operations, retained earnings, comprehensive income (loss), accumulated other comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at February 28, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
May 1, 2009

Actuary's Report

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 28, 2009 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba
May 1, 2009

Financial Statements

Statement of Operations

Years ended February 28/29		2009		2008
Revenue		(in thousands of dollars)		
Premiums written	**$**	**885,682**	$	842,053
Premiums earned (Note 11)	**$**	**865,056**	$	828,121
Service fees		**20,411**		20,558
Driver licensing operations recovery (Note 20)		**20,995**		21,000
Total earned revenues		**906,462**		869,679
Claims Costs				
Claims incurred (Note 11)				
Current year		**641,049**		680,859
Prior years (Note 10)		**(35,406)**		(62,460)
		605,643		618,399
Claims expense		**90,443**		84,505
Loss prevention/Road safety		**27,344**		25,771
		723,430		728,675
Expenses				
Commissions		**64,736**		59,040
Operating		**88,647**		83,864
Premium taxes		**26,348**		23,466
Regulatory/Appeal		**2,883**		2,738
		182,614		169,108
Total claims and expenses		**906,044**		897,783
Underwriting income (loss)		**418**		(28,104)
Investment income (Note 13)		**4,632**		125,544
Net income (loss) from annual operations (Note 16)		**5,050**		97,440
Surplus distribution (Note 17)		**54**		(62,565)
Net income (loss) after surplus distribution	**$**	**5,104**	$	34,875

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

Balance Sheet

February 28/29	2009	2008
Assets	(in thousands of dollars)	
Cash and investments (Note 5)	**$ 2,021,677**	$ 2,187,313
Due from other insurance companies	**4,726**	3,877
Accounts receivable	**276,530**	255,789
Prepaid expenses	**2,432**	794
Deferred policy acquisition costs	**21,320**	11,510
Reinsurers' share of unearned premiums	**11,269**	11,129
Reinsurers' share of unpaid claims (Note 10)	**37,534**	51,345
Property and equipment (Note 8)	**42,888**	32,611
Deferred development costs	**33,607**	16,571
	$ 2,451,983	$ 2,570,939
Liabilities		
Due to other insurance companies	**$ 15,817**	$ 23,073
Accounts payable and accrued liabilities	**40,164**	105,283
Unearned premiums	**441,588**	419,990
Provision for employee current benefits	**14,515**	14,045
Provision for employee future benefits (Note 9)	**207,143**	188,580
Provision for unpaid claims (Notes 10 and 15)	**1,561,436**	1,512,625
	2,280,663	2,263,596
Retained Earnings		
Basic Insurance Retained Earnings		
Rate Stabilization Reserve	**134,915**	127,122
Immobilizer incentive Fund	**2,021**	17,925
	136,936	145,047
Competitive Lines Retained Earnings		
Retained Earnings	**92,918**	103,739
Extension Development Fund	**59,425**	35,389
	152,343	139,128
	289,279	284,175
Accumulated Other Comprehensive Income (Loss) (Notes 3 and 14)	**(117,959)**	23,168
	$ 2,451,983	$ 2,570,939

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

Approved by the Board of Directors:

Shari Decter Hirst
Chairperson

Kerry Bittner
Director

Statement of Retained Earnings

Years ended February 28/29	2009	2008
Basic Insurance	(in thousands of dollars)	
Rate Stabilization Reserve		
Balance beginning of year	**$ 127,122**	$ 128,122
Transition adjustment (Note 3)	**–**	(22,693)
Net income (loss) from annual operations after surplus distribution (Notes 16 and 17)	**(8,111)**	6,475
Transfer from Immobilizer Incentive Fund	**15,904**	15,218
Balance end of year	**134,915**	127,122
Immobilizer Incentive Fund		
Balance beginning of year	**17,925**	33,143
Transfer to Rate Stabilization Reserve	**(15,904)**	(15,218)
Balance end of year (Note 21)	**2,021**	17,925
Balance Basic Insurance Retained Earnings end of year	**136,936**	145,047
Competitive Lines		
Retained Earnings		
Balance beginning of year	**103,739**	110,983
Transition adjustment (Note 3)	**–**	(255)
Net income (loss) from annual operations (Note 16)	**13,215**	28,400
Net transfer to Extension Development Fund	**(24,036)**	(35,389)
Balance end of year	**92,918**	103,739
Extension Development Fund		
Balance beginning of year	**35,389**	–
Net transfer from Retained Earnings	**24,036**	35,389
Balance end of year (Note 22)	**59,425**	35,389
Balance Competitive Lines Retained Earnings end of year	**152,343**	139,128
Balance Retained Earnings end of year	**$ 289,279**	$ 284,175

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

Statement of Comprehensive Income (Loss)

Years ended February 28/29		2009		2008
		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**5,104**	$	34,875
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on Available for Sale assets		(192,556)		(26,775)
Reclassification to income from Available for Sale assets		51,429		(30,332)
Other Comprehensive Income (Loss) for the year		(141,127)		(57,107)
Total Comprehensive Income (Loss)	**$**	**(136,023)**	$	(22,232)

Statement of Accumulated Other Comprehensive Income (Loss)

Years ended February 28/29		2009		2008
		(in thousands of dollars)		
Balance beginning of year	**$**	**23,168**	$	–
Transition adjustment (Note 3)		**–**		80,275
Other Comprehensive Income (Loss) for the year		**(141,127)**		(57,107)
Balance end of year (Note 14)	**$**	**(117,959)**	$	23,168

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

Statement of Cash Flows

Years ended February 28/29	2009	2008
Cash Flows from (to) Operating Activities:	(in thousands of dollars)	
Net income (loss) after surplus distribution	**$ 5,104**	$ 34,875
Non-cash items:		
Amortization of property and equipment and deferred development costs	**7,548**	6,770
Amortization of bond discount and premium	**3,731**	(244)
(Gain) Loss on sale of investments	**20,277**	(39,342)
Unrealized loss on Held for Trading bonds	**5,533**	–
Write-down of investments	**24,619**	9,010
	66,812	11,069
Net change in non-cash balances:		
Due from other insurance companies	**(849)**	(3,867)
Accounts receivable and prepaid expenses	**(22,379)**	(9,443)
Deferred policy acquisition costs	**(9,810)**	5,492
Reinsurers' share of unearned premiums and unpaid claims	**13,672**	(24,603)
Due to other insurance companies	**(7,256)**	14,080
Accounts payable and accrued liabilities	**(65,119)**	12,720
Unearned premiums	**21,598**	16,061
Provision for employee current benefits	**470**	266
Provision for employee future benefits	**18,563**	22,108
Provision for unpaid claims	**48,811**	89,929
	(2,299)	122,743
	64,513	133,812
Cash Flows from (to) Investing Activities:		
Acquisition of property and equipment net of proceeds from disposals	**(16,120)**	(7,683)
Purchase of investments	**(987,024)**	(1,140,658)
Proceeds from sale of investments	**1,097,418**	1,095,777
Deferred development costs incurred	**(18,742)**	(7,571)
	75,532	(60,135)
Increase in Cash and Short-Term Investments	**140,045**	73,677
Cash and short-term investments beginning of year	**130,777**	57,100
Cash and Short-Term Investments end of year (Note 5)	**$ 270,822**	$ 130,777

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

Notes To Financial Statements

February 28, 2009

1. Status of the Corporation

The Manitoba Public Insurance Corporation (the "corporation") was incorporated as a Crown corporation under *The Automobile Insurance Act* in 1970. 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.

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 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 (Note 15), the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business is subject to regulation by the Public Utilities Board (PUB) of Manitoba with respect to insurance rates and service fees (Note 23).

Operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services, were transferred to the corporation, from the Province of Manitoba, effective October 4, 2004.

2. Basis of Reporting

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 Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the corporation's Board of Directors.

The external actuary also uses the work of the external auditors in his verification of the information prepared by the corporation used in the valuation of the policy liabilities.

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 external actuary and his report on the corporation's policy liabilities. The external auditors' report outlines the scope of their audit and their opinion.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the corporation that have a significant effect on the financial statements.

Investments

Funds available for investments are managed by the Department of Finance, on behalf of the corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

Under the provision of CICA 3855 *Financial Instruments – Recognition and Measurement*, the financial assets of Manitoba Public Insurance's investment portfolio are designated as Available for Sale (AFS), Held to Maturity (HTM), or Held for Trading (HFT).

Corporate investments that experience a decline in fair value, which is determined to have been other than temporary, are deemed to be impaired and written down to their expected recoverable amount.

The fair value of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Short-term investments comprise investments due to mature within 12 months from the date of purchase and are carried at fair value.

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

i) AFS Financial Assets

AFS financial assets are carried at fair value on the Balance Sheet starting on the settlement date and the changes in fair value are recorded in Other Comprehensive Income (OCI) until the asset is disposed of, or has become other than temporarily (OTT) impaired. As long as an AFS asset is held and not OTT impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become OTT impaired, the gain or loss is recognized in the Statement of Operations and the amount is deducted from OCI.

The fair value of AFS bonds, including federal, provincial, certain municipal, certain hospitals, other provinces and corporations, is estimated based on bid prices of these or similar investments.

Transaction costs related to AFS financial assets are capitalized on initial recognition and, where applicable, are amortized to interest income using the effective interest method.

ii) HTM Financial Assets

HTM financial assets are carried at amortized cost on the Balance Sheet starting on the settlement date.

The fair value of HTM bonds, including schools, certain municipal and certain hospitals, is based on their carrying value, which approximates market value.

Transaction costs related to financial assets and liabilities classified as HTM are capitalized on initial recognition, when applicable.

iii) HFT Financial Assets

HFT financial assets are carried at fair value on the Balance Sheet starting on the settlement date and the changes in fair value are recorded in the Statement of Operations.

Transaction costs related to HFT financial assets are recognized in the Statement of Operations on initial recognition.

Transition Adjustment

As a result of the corporation adopting the recommendations of the CICA Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861 – *Financial Instruments – Disclosure and Presentation*; and Section 3251, *Equity*, the following transition adjustments were recorded at March 1, 2007.

(in thousands of dollars)	February 28, 2007	Transition Adjustments	March 1, 2007
Assets			
AFS Financial Assets:			
Canadian Equities	$ 336,748	$ 40,258	$ 377,006
U.S. Equities	96,736	7,755	104,491
Bonds	1,099,255	32,262	1,131,517
		$ 80,275	
Liabilities			
Provision for Unpaid Claims	$ 1,399,748	$ 22,948	$ 1,422,696
Retained Earnings			
Basic Rate Stabilization Reserve	128,122	(22,693)	105,429
Extension Retained Earnings	46,373	(58)	46,315
SRE Retained Earnings	64,610	(197)	64,413
		(22,948)	
Accumulated Other Comprehensive Income	–	80,275	80,275
		$ 80,275	

Loans and receivables

All financial assets designated as loans and receivables are carried at amortized cost using the effective interest method. These receivables include financing plans for customers using interest rates set at the prime rate of the corporation's principal banker plus 2 per cent and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Computer equipment. . . . . . . 3 years

Vehicles . . . . 5 years

Furniture and equipment . . . . 10 years

Land improvements. . . . . 25 years

Buildings . . . . 40 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Amortization of construction in progress will begin, in accordance with the above policy, when construction has been completed.

Deferred Development Costs

The costs of developing major information systems that are expected to be of continuing benefit to the corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years. Accumulated amortization of deferred development costs at February 28, 2009 is $36.2 million (2008 – $34.5 million).

Unearned Premiums

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

Provision for Employee Benefits

PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

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.

ii) Other Benefit Plans

Other benefit plans consist of post-retirement extended health 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.

Employees of the corporation are entitled to severance pay in accordance with the Collective Agreement and corporation 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

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the Balance Sheet date. These provisions take into account the time value of money. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. To recognize the uncertainty in establishing these estimates and to allow for possible deterioration in experience, actuaries include explicit margins for adverse deviation in their assumptions. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claims costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported 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.

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

The corporation uses currency swaps and forward exchange contracts to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income," on a fair value basis.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations.

Basic Insurance Rate Stabilization Reserve

The Basic Insurance Rate Stabilization Reserve relates to basic universal compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

Immobilizer Incentive Fund

The Immobilizer Incentive Fund is an appropriation from the Basic Insurance Rate Stabilization Reserve. The fund is used to provide financial resources for vehicle owners to install electronic immobilizers and cover the administrative costs of the program.

Extension Development Fund

The Extension Development Fund is an appropriation from the Competitive Lines Retained Earnings. The fund is used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the Basic, Extension and Special Risk Extension lines of business.

Comprehensive Income

Comprehensive income consists of net income after surplus distribution and other comprehensive income. Changes in unrealized gains and losses on financial assets classified as Available for Sale, and changes in unrealized foreign exchange currency translation amounts are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations. Accumulated other comprehensive income is included on the Balance Sheet as a separate component.

Future Changes in Accounting Policy and Disclosure

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting in fiscal years beginning on or after January 1, 2011. The corporation will be adopting IFRS reporting requirements for the fiscal year beginning March 1, 2011. This requirement also extends to any comparative financial information included within the reports.

The corporation has taken the following steps in managing the transition from Canadian GAAP to IFRS:

- Engaged an external consultant to prepare an IFRS high level diagnostic which was presented to the senior management, the Board of Directors and Public Utilities Board;
- Established a project team, including a team of external consultants, to oversee the transition to and manage the implementation of IFRS;
- Commenced analysis to identify key differences between current accounting policies and IFRS requirements that may have a significant impact on the reported results; and
- Purchased software that will enable the corporation to record transactions in accordance with IFRS for comparative reporting purposes.

As this undertaking is in the early stages, the corporation is unable to determine the impact of the change to IFRS on the financial results.

Commencing with the 2009/10 fiscal year, the corporation will apply the new accounting standards contained in CICA Handbook Section 3064, *Goodwill and Intangible Assets* and updates to Section 1000, *Financial Statement Concepts*. These standards update the measurement and disclosure requirements of intangible assets. The corporation does not expect material impacts due to the new CICA standards.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions 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 from these estimates.

4. Changes in Accounting Policies

Effective March 1, 2008 the corporation adopted the recommendations of the CICA Handbook Section 1535, *Capital Disclosures* ("Section 1535"); Section 3862, *Financial Instruments – Disclosure* ("Section 3862"); and Section 3863, *Financial Instruments – Presentation* ("Section 3863").

Section 1535 requires the following disclosures: (i) qualitative information about an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity manages as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. (Note 7)

Section 3862 and Section 3863 replace Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, but not changing the existing presentation requirements for financial instruments. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3862 requires qualitative and quantitative disclosure of: (i) exposures to risks arising from financial instruments, how they arose and the potential impact on the amount, timing and certainty of future cash flows; (ii) information about the risk management function and the reporting and measurement systems used; (iii) the entity's policies for hedging or mitigating risk and avoiding concentrations of risk; and (iv) the sensitivity to individual market risk factors together with the methodology for performing the analysis. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. (Note 6)

5. Cash and Investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $1,269,000 (2008 – $976,000).

Short-term investments have a total principal amount of $272,039,000 (2008 – $125,302,000) comprised of provincial short-term deposits with effective interest rates of 0.50 to 0.65 per cent (2008 – 3.30 to 4.80 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. There were no drawdowns against this line of credit at February 28, 2009.

Cash and Investments

(in thousands of dollars)	2009			
	Classified as Available for Sale	**Classified as Held to Maturity**	**Classified as Held for Trading**	**Total Carrying Value**
Cash and short-term investments	**$ 270,822**	**$ –**	**$ –**	**$ 270,822**
Bonds				
Federal	**140,643**	**–**	**76,201**	**216,844**
Manitoba:				
Provincial	**324,958**	**–**	**39,928**	**364,886**
Municipal	**49,899**	**25,186**	**9,291**	**84,376**
Hospitals	**12,347**	**–**	**–**	**12,347**
Schools	**–**	**392,560**	**–**	**392,560**
Other provinces:				
Provincial	**220,476**	**–**	**63,546**	**284,022**
Municipal	**10,328**	**–**	**4,821**	**15,149**
Corporations	**76,378**	**–**	**25,831**	**102,209**
	835,029	**417,746**	**219,618**	**1,472,393**
Other	**7,327**	**–**	**–**	**7,327**
Equity investments	**271,135**	**–**	**–**	**271,135**
	278,462	**–**	**–**	**278,462**
	$ 1,384,313	**$ 417,746**	**$ 219,618**	**$ 2,021,677**

(in thousands of dollars)	2008			
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Held for Trading	Total Carrying Value
Cash and short-term investments	$ 130,777	$ –	$ –	$ 130,777
Bonds				
Federal	423,863	–	–	423,863
Manitoba:				
Provincial	312,078	–	–	312,078
Municipal	51,671	28,640	–	80,311
Hospitals	13,056	13,998	–	27,054
Schools	–	387,122	–	387,122
Other provinces:				
Provincial	299,812	–	–	299,812
Municipal	13,426	–	–	13,426
Corporations	88,690	–	–	88,690
	1,202,596	429,760	–	1,632,356
Other	7,110	–	–	7,110
Equity investments	417,070	–	–	417,070
	424,180	–	–	424,180
	$ 1,757,553	$ 429,760	$ –	$ 2,187,313

6. Financial Risk Management

Investments carry certain financial risks including interest rate, cash flow and credit risk. The corporation manages these risks through the Investment Committee of the Board, which meets at least quarterly to discuss strategy and review performance and, if required, take remedial action. The investment objectives and goals of the corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Market Risk

Market risk is the risk that changes in foreign exchange rates, market interest rates and other changes in market prices will result in fluctuation of the fair value or future cash flows of a financial instrument.

CURRENCY RISK

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The corporation mitigates its currency risk by entering into contracts which offset against changes in foreign exchange rates. Any changes in foreign exchange rates are offset by the opposite change in the value of the foreign denominated financial instrument. The currency contracts include:

i) Foreign exchange contracts

The corporation has entered into monthly foreign exchange forward contracts, which provide that the corporation sells a specified amount of U.S. dollars at a predetermined forward exchange rate and purchases the same amount of U.S. dollars at the prevailing spot rate on the settlement date. At February 28, 2009, the corporation has contracted to sell U.S. $45,300,000 at a forward rate of 1.2689 and purchase the same amount of U.S. dollars at the spot rate on March 31, 2009.

ii) Currency swap

The corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10,000,000. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the corporation pays a fixed 7.5 per cent rate based on the U.S. $10,000,000 par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13,350,000. The maturity date of the currency swap and the bond is July 15, 2023.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will result in fluctuation of the fair value or future cash flows of a financial instrument.

The market valuation of the corporation's fixed income portfolio is directly impacted by fluctuations in interest rates and will have a larger impact on instruments with a long duration.

Bonds	Average Effective Rate – %	
	2009	2008
Federal	**2.49**	2.73
Provincial	**3.62**	3.73
Municipal	**4.91**	5.03
Hospitals	**4.82**	7.32
Schools	**6.15**	6.38
Corporations	**4.79**	4.83

As at February 28, 2009, a 100 basis point change in interest rates would result in a change in the fair value of the corporation's fixed income portfolio of approximately $82.4 million comprised of a change of $65.2 million in other comprehensive income and $17.2 million in net income.

Fluctuation in the interest rate will also have an impact on the corporation's unpaid claims. The corporation's duration of its fixed income portfolio approximates the duration of unpaid claims liability and therefore any change in interest rates related to these investments would have an offsetting impact on the unpaid claims liability.

EQUITY PRICE RISK

The fair value of equity securities held by the corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 28, 2009, a 10 per cent change in the fair value of the corporation's equity portfolio would result in a $27.1 million change in other comprehensive income.

As all equities are classified as AFS, all changes in prices are recorded as other comprehensive income and do not directly impact the Statement of Operations until such time as an investment is sold or has become other than temporarily impaired. The corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

Credit Risk

Credit risk is the potential for the corporation to incur a financial loss due to the failure of the other party to discharge an obligation. Financial instruments that give rise to potential credit risk for the corporation include fixed income securities, accounts receivable, reinsurance receivables and structured settlements.

FIXED INCOME SECURITIES RISK

The corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according to Moody's Investors Service at February 28/29.

	2009		2008	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
Aaa	**$ 238,314**	**16.2%**	$ 440,217	27.0%
Aa	**1,176,834**	**79.9%**	989,701	60.6%
A	**22,762**	**1.5%**	173,088	10.6%
Baa	**5,798**	**0.4%**	14,323	0.9%
Not rated	**28,685**	**2.0%**	15,027	0.9%
Total	**$ 1,472,393**	**100.0%**	$ 1,632,356	100.0%

ACCOUNTS RECEIVABLE RISK

The corporation's accounts receivable are comprised of customers with varying financial conditions as the corporation is required to provide basic insurance to all vehicle owners and drivers in the province of Manitoba. All significant past due receivables including subrogation receivables are fully provided for due to the uncertainty of collection. The credit risk pertaining to premiums receivable is mitigated as a customer's policy may be cancelled for default of payment.

The following table highlights the corporation's accounts receivable by major category.

(in thousands of dollars)	2009	2008
Policy and time payments	**$ 250,412**	$ 225,191
Accrued interest	**26,308**	30,866
Subrogation and other receivables	**12,502**	13,390
Allowance for Doubtful Accounts	**(12,692)**	(13,658)
Total	**$ 276,530**	$ 255,789

REINSURANCE RECEIVABLES RISK

The corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $5.2 million (2008 – $11.9 million). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place. For the 2009 calendar year, nine reinsurers share the corporation's casualty reinsurance coverage, ranging from 2.5% to 32.5%. The reinsurer exposed to 32.5% of the losses is licensed in Canada by the Office of the Superintendant of Financial Institutions and, therefore, subject to minimum capital requirements. For the 2009 calendar year, 16 reinsurers share the corporation's catastrophe reinsurance coverage, none holding more than 15% of the reinsurance exposure. The 2009 catastrophe reinsurance program is placed on a rolling one-third, three-year term to further mitigate the corporation's exposure to reinsurer insolvency. No amount due from reinsurers was considered uncollectible during 2008/09 and no allowance for doubtful accounts has been established as at February 28, 2009.

STRUCTURED SETTLEMENTS

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments totals $142.6 million (2008 – $142.2 million) based on various dates of purchase. The corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Liquidity Risk

A significant risk of the insurance industry is the ability to match the cash inflows of the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio. To meet the cash requirements for claims and operating expenses, the corporation has policies to ensure that assets and liabilities are broadly matched in terms of their duration.

Cash and cash equivalents are essential components of the corporation's financial liquidity management. Cash flows are monitored to ensure sufficient resources are available to meet our current operating requirements. Excess funds not needed to meet current operating requirements are invested in long-term instruments to generate additional revenue for future obligations.

Bonds – maturity profile

(in thousands of dollars)	2009			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ –	$ 26,672	$ 190,172	$ 216,844
Manitoba:				
Provincial	36,058	77,211	251,617	364,886
Municipal	387	39,200	44,789	84,376
Hospitals	–	–	12,347	12,347
Schools	3,998	35,218	353,344	392,560
Other provinces:				
Provincial	6,848	121,561	155,613	284,022
Municipal	–	5,202	9,947	15,149
Corporations	4,049	37,967	60,193	102,209
	$ 51,340	$ 343,031	$ 1,078,022	$ 1,472,393

(in thousands of dollars)	2008			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ 96,376	$ 72,076	$ 255,411	$ 423,863
Manitoba:				
Provincial	22,944	77,256	211,878	312,078
Municipal	769	24,298	55,244	80,311
Hospitals	13,998	–	13,056	27,054
Schools	3,255	43,095	340,772	387,122
Other provinces:				
Provincial	26,510	72,314	200,988	299,812
Municipal	3,091	5,097	5,238	13,426
Corporations	9,109	25,221	54,360	88,690
	$ 176,052	$ 319,357	$ 1,136,947	$ 1,632,356

7. Capital Management

The corporation's Board of Directors has approved risk-based capital adequacy target levels by line of business to maintain financial stability. In addition, specific levels of retained earnings have been appropriated to support two major corporate initiatives:

- The Immobilizer Incentive Strategy – a program designed to protect at-risk vehicles from theft; and
- The Extension Development Fund (EDF) which was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing.

The corporation supports the use of the Minimum Capital Test (MCT) as a risk-based method developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess the corporation's financial risk and determine the capital adequacy of reserves held in retained earnings. This methodology assigns risk factors to the company's assets and policy liabilities. It is used to determine whether federally regulated property and casualty insurance companies are maintaining adequate capital to absorb unexpected losses. OSFI expects these regulated companies to establish a target capital level, and maintain ongoing capital, no less than the supervisory target of 150 per cent of the capital required by the MCT.

The corporation's external actuary annually calculates the MCT by line of business to assist the Board of Directors in reviewing and establishing appropriate target levels.

Basic's retained earnings are comprised of the Rate Stabilization Reserve (RSR) and the Immobilizer Incentive Fund (IIF). The corporation's Board of Directors' current target level range is 50 per cent to 100 per cent of MCT or $107 million to $214 million. The Public Utilities Board of Manitoba by its Order 157/08 has established the Basic RSR target for rate-setting purposes to be $76 million to $115 million and includes the IIF for purposes of assessing RSR adequacy.

The corporation's external actuary, based on his report for the 2008 Basic Insurance Dynamic Capital Adequacy Test (DCAT), identifies three plausible scenarios where Basic retained earnings become negative and has concluded that the future financial condition of this line of business is not satisfactory.

The corporation's Board of Directors' current target level for Extension retained earnings is 200 per cent of MCT which equates to $35.0 million. Based on this target the corporation's external actuary has concluded, in the 2008 Extension DCAT report, that the future financial condition of this line of business is satisfactory.

The corporation's Board of Directors' current target level of $37.0 million for SRE retained earnings is 200 per cent of MCT. Based on this target the corporation's external actuary has concluded, in the 2008 SRE DCAT report, that the future financial condition of this line of business is satisfactory.

The corporation's Board of Directors approved the retained earnings in excess of the 200 per cent of MCT for the Extension and SRE lines of business to be appropriated into the Extension Development Fund to defray annual costs associated with the drivers licensing projects (Note 22).

8. Property and Equipment

(in thousands of dollars)			2009	2008
	Cost	**Accumulated Amortization**	**Carrying Value**	Carrying Value
Land	**$ 2,730**	**$ –**	**$ 2,730**	$ 2,730
Land improvements	**6,459**	**2,374**	**4,085**	1,711
Buildings	**27,760**	**13,353**	**14,407**	15,129
Computer equipment	**41,951**	**36,381**	**5,570**	5,152
Vehicles	**6,218**	**4,027**	**2,191**	1,762
Furniture and equipment	**16,738**	**12,301**	**4,437**	3,189
Leasehold improvements	**4,223**	**1,703**	**2,520**	158
Construction in progress	**6,948**	**–**	**6,948**	2,780
	$ 113,027	**$ 70,139**	**$ 42,888**	$ 32,611

9. Provision for Employee Future Benefits

The corporation has a defined benefit pension plan, severance benefit plan and a post-retirement extended health benefit plan available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2008, with the next scheduled actuarial valuation being December 31, 2009.

The actuarial valuation is based on the corporation's best estimate of various economic and demographic assumptions. Results from the most recent actuarial valuations, projected to February 28/29 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Economic assumptions:				
Discount rate	**5.25%**	5.40%	**5.25%**	5.40%
Inflation rate	**2.00%**	2.00%	**–**	–
Expected salary increase	**2.90%**	2.75%	**–**	–
Expected health care cost increase	**–**	–	**7.00%**	7.00%

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Balance, beginning of year	**$ 155,725**	$ 136,620	**$ 32,855**	$ 29,852
Current service cost	**7,346**	6,630	**3,911**	3,251
Interest cost	**8,464**	8,039	**661**	583
Benefits paid	**(5,436)**	(4,282)	**(2,079)**	(2,109)
Actuarial valuation deficiency	**5,303**	8,718	**393**	1,278
Provision for employee future benefits	**$ 171,402**	$ 155,725	**$ 35,741**	$ 32,855
Employee contribution for the year	**$ 5,848**	$ 5,343	**$ –**	$ –

Plan Assets

The corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Plan expenses for the year:				
Current service cost	**$ 7,346**	$ 6,630	**$ 3,911**	$ 3,251
Interest cost	**8,464**	8,039	**661**	583
Actuarial valuation deficiency				
Pertaining to interest	**3,341**	5,492	**–**	–
Pertaining to expense	**1,962**	3,226	**393**	1,278
	$ 21,113	$ 23,387	**$ 4,965**	$ 5,112

10. 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-tail claims such as 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 effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim 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.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

(in thousands of dollars)	**2009**		2008	
	Gross	**Reinsurers' Share**	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	**$ 1,412,138**	**$ 31,884**	$ 1,341,723	$ 29,975
Physical Damage	**145,047**	**5,650**	166,112	21,370
	1,557,185	**37,534**	1,507,835	51,345
Discontinued Operations				
Personal/Commercial	**4,251**	**–**	4,790	–
	$ 1,561,436	**$ 37,534**	$ 1,512,625	$ 51,345

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

	2009	2008
Benefits	Interest Rate Assumptions	
Pre-PIPP Weekly Indemnity	**2.6% per year**	2.6% per year
PIPP other than death and impairment	**2.6% per year**	2.6% per year
All other coverages	**4.6% per year**	4.6% per year

PIPP – Personal Injury Protection Plan

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $276.7 million (2008 – $271.3 million) comprised of a claims development component of $166.6 million (2008 – $158.2 million), an interest rate component of $108.5 million (2008 – $111.3 million) and a reinsurance component of $1.6 million (2008 – $1.8 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (2008 – $10.0 million). Catastrophes are an inherent risk to the corporation and may contribute materially to the year-to-year fluctuations in the corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at values that reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, recognized during the fiscal year ended February 28, 2009 for prior years, are as follows:

(in thousands of dollars)	Accident Years				
	2008	2007	2006	2005 and Prior	Total
Net unpaid claims (valuation estimate as at February 29, 2008)	$ 333,135	$ 196,148	$ 146,189	$ 778,069	
Net payments for the year	137,977	20,980	12,082	32,579	
	195,158	175,168	134,107	745,490	
Net unpaid claims (revised valuation estimate as at February 28, 2009)	162,395	165,093	117,014	770,015	
(Redundancy) Deficiency	$ (32,763)	$ (10,075)	$ (17,093)	$ 24,525	$ (35,406)
Prior years (redundancy) deficiency		$ 1,373	$ 4,082	$ (67,915)	$ (62,460)

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2009 are a decrease of $0.3 million (2008 – decrease of $0.4 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

Improvements to the Personal Injury Protection Plan (PIPP) benefits have been approved in principle, by government, for claimants who meet the definition of “catastrophic injury” as it will be defined in *The Manitoba Public Insurance Corporation Act* and regulations. These improvements will apply to all active PIPP no-fault injury claim files as well as all new claims on a go-forward basis. The financial impact of these changes is estimated to be $90.8 million on a one-time basis and has been recorded in the provision for unpaid claims.

11. Reinsurance

The corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2009, these reinsurance agreements limit the corporation’s exposure to a maximum amount of $5.0 million (2008 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the corporation’s liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $13.3 million (2008 – $11.7 million). These arrangements protect the corporation against losses up to $266.7 million (2008 – $266.7 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the corporation.

The figures shown in the Statement of Operations are net of the following amounts relating to reinsurance ceded to other companies:

(in thousands of dollars)	**2009**	2008
Premiums earned	$ 13,172	$ 16,641
Claims incurred	$ 1,126	$ 45,330

12. Commitments

The corporation is committed to make minimum annual lease payments for land, buildings and equipment. The minimum annual lease payments required are approximately as follows:

(in thousands of dollars)	
Fiscal Year	Minimum Lease Payments
2010	$ 1,437
2011	$ 1,204
2012	$ 1,120
2013	$ 988
2014	$ 782
thereafter	$ 11,231

The corporation has committed $5.9 million for the construction of a new service centre.

13. Investment Income

(in thousands of dollars)	**2009**	2008
Interest from bonds	**$ 68,201**	$ 72,344
Gain (loss) on sale of Available for Sale bonds	**8,754**	1,435
Gain (loss) on sale of Held for Trading bonds	**6,541**	–
Unrealized gain (loss) on Held for Trading bonds	**(5,533)**	–
Dividends from equities	**9,976**	10,373
Gain (loss) on sale of equities	**(35,572)**	37,907
Gain (loss) on foreign exchange	**(20,214)**	15,833
Write-down of investments	**(24,619)**	(9,010)
Investment management fees	**(2,902)**	(3,338)
Total	**$ 4,632**	$ 125,544

Investment income is net of management fees paid to the Department of Finance in the amount of $2.9 million (2008 – $3.3 million). This includes $1.7 million (2008 – $2.2 million) of fees the Province paid to outside managers on the corporation's behalf.

14. Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss) (AOCI) reflects the net unrealized gain or loss on financial assets classified as Available for Sale. Changes in AOCI by type of asset are presented below.

(in thousands of dollars)	AOCI at February 29, 2008	Unrealized Gains (Losses) in 2008/2009	Realized (Gains) Losses transferred to Net Income in 2008/2009	AOCI at February 28, 2009
Canadian Equities	$ 7,581	$ (133,747)	$ 34,630	$ (91,536)
U.S. Equities	(12,741)	(23,168)	20,216	(15,693)
Bonds and Other	28,328	(35,641)	(3,417)	(10,730)
	$ 23,168	$ (192,556)	$ 51,429	$ (117,959)

15. Discontinued General Insurance Operations

The corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the corporation accepted a third-party offer to purchase the reinsurance assumed business from the corporation. Under the terms of the agreement, the corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in net income of $0.4 million (2008 – $0.8 million) which is reported as part of the Special Risk Extension line of business (Note 16). Included in the provision for unpaid claims is $4.3 million (2008 – $4.8 million) relating to discontinued operations.

16. Net Income (Loss) From Annual Operations

The lines of business reported net income (loss) from annual operations as follows:

(in thousands of dollars)		**2009**		2008
Basic insurance	**$**	**(8,165)**	$	69,040
Extension insurance		**(1,684)**		12,351
Special Risk Extension		**14,899**		16,049
		13,215		28,400
Net income from annual operations	**$**	**5,050**	$	97,440

17. Surplus Distribution

On November 26, 2007 the Public Utilities Board of Manitoba released its ruling on the corporation's 2008/2009 Basic Insurance rate application and ordered a surplus distribution of 10 per cent of the basic motor vehicle premiums written based on 2006/2007 rates. At February 29, 2008, the rebate was estimated to be $62,700,000. The amount was actualized during the current fiscal year when $62,646,000 was distributed to Basic policyholders.

On December 2, 2008 the Public Utilities Board released its ruling on the corporation's 2009/2010 Basic Insurance rate application. There is no surplus distribution in 2009/2010.

18. Fair Value Disclosure

The fair value of financial assets and liabilities approximates their carrying value.

19. External Auditor and External Actuary Costs

The Basis of Reporting note (Note 2) provides information on the appointment of the external auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the corporation's financial statements and valuation of policy liabilities, the external auditor and external actuary provided advisory services to the corporation.

Costs incurred for services rendered are:

(in thousands of dollars)		2009		2008
KPMG LLP				
Audit fees	$	**178**	$	171
Regulatory related fees		**14**		–
Advisory fees		**15**		2
Total	$	**207**	$	173
Ernst & Young LLP				
Valuation of policy liabilities fees	$	**95**	$	107
Actuarial advisory fees		**92**		89
Management advisory fees		**–**		6
Total	$	**187**	$	202

20. Driver Licensing Operations Recovery

Effective October 4, 2004 the Province of Manitoba transferred the management and administration of driver licensing to the corporation, which includes all aspects pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to the corporation in the amount of $21.0 million annually, into perpetuity, payable in equal monthly installments of $1.75 million to defray the cost borne by the corporation as a result of the transfer.

The corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

(in thousands of dollars)		2009		2008
Vehicle registration fees	$	**118,056**	$	102,702
Driver licensing fees		**19,876**		21,880
Total	$	**137,932**	$	124,582

21. Immobilizer Incentive Fund

Activity in the Immobilizer Incentive Fund includes:

(in thousands of dollars)		2009		2008
Balance beginning of year	$	**17,925**	$	33,143
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs		**(15,904)**		(15,218)
Balance end of year	$	**2,021**	$	17,925

The Immobilizer Incentive Fund was established during the 2005/2006 fiscal year by appropriating $40.0 million from the Basic Insurance Rate Stabilization Reserve to fund the Immobilizer Incentive Program. An additional $10.0 million was transferred to the Immobilizer Incentive Fund during 2006/2007 to expand the No Cost Immobilizer Program to all Manitobans owning Most-at-Risk vehicles.

Program costs incurred are included in "Net income from annual operations after surplus distribution" for the Basic Insurance line of business, which is reported in the Statement of Retained Earnings under the heading "Rate Stabilization Reserve."

Funds are transferred from the Immobilizer Incentive Fund to the Basic Insurance Rate Stabilization Reserve to offset the program costs incurred.

22. Extension Development Fund

Effective March 1, 2007 the Board of Directors approved retained earnings targets for Extension and Special Risk Extension lines of business (Competitive Lines) based on 200 per cent of the most recent year's Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings.

Further, the Board of Directors approved that the Competitive Lines retained earnings in excess of the most recent year's target of 200 per cent of MCT will be appropriated into the Extension Development Fund (EDF). The EDF is being used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Activity in the EDF includes:

(in thousands of dollars)		2009		2008
Balance beginning of year	$	**35,389**	$	–
Transfer from Competitive Lines Retained Earnings		**31,739**		38,983
Transfer to Competitive Lines Retained Earnings		**(7,703)**		(3,594)
Balance end of year	$	**59,425**	$	35,389

23. Rate regulation

The corporation's basic universal compulsory automobile insurance line of business (Basic Insurance) is subject to regulation by the Public Utilities Board (PUB) of Manitoba. Under the provisions of *The Crown Corporations Public Review and Accountability Act*, the PUB has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the corporation. No new rates or fees for services can be introduced without the approval of the PUB. The PUB is required to ensure that the rates are just, reasonable and not unduly discriminatory or preferential.

Annually the corporation prepares its Basic Insurance general rate application and files it with the PUB in the month of June for implementation the following fiscal year commencing on March 1. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The corporation is required to pay a portion of the PUB's operating costs relating to the corporation's share of the overall PUB budget. In addition, the PUB can also order the corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

24. Subsequent Event

On February 26, 2009, the corporation submitted a conditional offer for the purchase of the Cityplace property for $81.5 million plus expenses. The closing date for the transaction is May 1, 2009. The Cityplace building houses most of the corporation's administrative offices as well as some third-party occupied office and retail space.

25. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year financial statement presentation.

Manitoba Public Insurance Offices

Administrative Offices

Brandon
731-1st Street
R7A 6C3
Tel: 729-9400
Head office and Special
Risk Extension

Winnipeg
Box 6300
R3C 4A4
Tel: 985-7000

Outside Winnipeg
Tel: 1-800-665-2410

Deaf access TTY / TDD
Tel: 985-8832

Service Locations

WINNIPEG

445 King Street
R2W 5H2
Fax: 942-8317

1103 Pacific Avenue
R3E 1G7
Fax: 783-2764

930 St. Mary's Road
R2M 4A8
Fax: 254-0308

420 Pembina Highway
R3L 2E9
Fax: 284-7675

125 King Edward Street East
R3H 0V9
Fax: 783-0374

Driver and Vehicle Licensing
Main Floor
234 Donald Street
R3C 4A4
Tel: 985-7000

2020 Corydon Avenue
R3P 0N2
Tel: 985-8992

2188 McPhillips Street
R2V 3C8
Tel: 985-8984

1006 Nairn Avenue
R2L 0Y2
Tel: 985-8043

Enhanced ID Centre
1745 Ellice Avenue

Casualty and Rehabilitation
Box 6300
R3C 4A4
Tel: 985-7200

Rehabilitative Case Management
Box 6300
R3C 4A4
Tel: 985-7200

Bodily Injury and MedEx Injury
Box 6300
R3C 4A4
Tel: 985-7200

Physical Damage Centre
1981 Plessis Road
Box 45064
Regent Postal Outlet
R2C 5C7
Tel: 985-7771

Holding Compound
Tel: 985-7771

Salvage
Tel: 985-7844

Commercial Claims
Tel: 985-7877

ARBORG

323 Sunset Boulevard
Box 418
R0C 0A0
Tel: 376-6633

BEAUSEJOUR

848 Park Avenue
Box 100A
R0E 0C0
Tel: 268-6400

BRANDON

731-1st Street
R7A 6C3
Tel: 729-9555 Claim Centre
Tel: 1-800-852-2743 Rural

Includes:

Driver and Vehicle Licensing

Enhanced ID Centre

DAUPHIN

217 Industrial Road
Box 3000
R7N 2V5
Tel: 622-2750

Driver and Vehicle Licensing
Provincial Building
27-2nd Avenue Southwest
R7N 3E5
Tel: 622-2783

FLIN FLON

8 Timber Lane
Box 250
R8A 1M9
Tel: 681-2200

PORTAGE LA PRAIRIE

2007 Saskatchewan
Avenue West
Box 1150
R1N 3J9
Tel: 856-2600

Driver and Vehicle Licensing
Provincial Building
25 Tupper Street North
R1N 3K1
Tel: 856-2624

SELKIRK

630 Sophia Street
R1A 2K1
Tel: 482-1400

STEINBACH

91 North Front Drive
Box 2139
R5G 1N7
Tel: 326-4453

Injury Claim Services

Enhanced ID Centre
Clearspring Mall 2
PTH 12
R5G 1T7
Tel: 346- 8030

SWAN RIVER

125-4th Avenue North
Box 1959
R0L 1Z0
Tel: 734-4574

THE PAS

424 Fischer Avenue
Box 9100
R9A 1R5
Tel: 627-2200

Driver and Vehicle Licensing
Room 109-117 3rd Street
Box 2550
R9A 1M4
Tel: 627-2200

THOMPSON

53 Commercial Place
Box 760
R8N 1N5
Tel: 677-1400

Includes:

Driver and Vehicle Licensing

Enhanced ID Centre

WINKLER

355 Boundary Trail
Box 1990
R6W 4B7
Tel: 325-9538

Includes:

Driver and Vehicle Licensing

Enhanced ID Centre
Southland Mall,
777 Norquay Drive
R6W 2S2
Tel: 331-7549

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2008 ANNUAL REPORT

Manitoba Public Insurance