2009
Annual Report

value

Driving progress, delivering value

Manitoba Public Insurance

Driving progress
delivering value

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

Letters of Transmittal

May 11, 2010

Honourable Andrew Swan
Minister Responsible for the Manitoba Public Insurance Corporation
Room 104, Legislative Building
450 Broadway
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, 2010.

Respectfully submitted,

Jake Janzen
Chairperson of the Board

Manitoba Public Insurance

May 11, 2010

The Honourable Philip S. Lee
Lieutenant Governor of the Province of Manitoba
Room 235, Legislative Building
450 Broadway
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, 2010.

Respectfully submitted,

Andrew Swan
Attorney General and Minister of Justice
Minister Responsible for Manitoba Public Insurance

Manitoba

2009 Year-End Summary

The following are 2009/10 fiscal year totals, covering the period March 1, 2009 to February 28, 2010

Dollars and Cents	
Approximate Autopac claims incurred costs per working day:	$2.3 million
Total Autopac claims costs for injury and property damage, respectively (before expenses):	$189.5 million and $384.2 million
Amounts paid by Manitoba Public Insurance to Manitoba medical practitioners on behalf of customers:	$23.8 million
Commissions paid by Manitoba Public Insurance to independent insurance brokers for product sales:	$74.1 million
Grants-in-lieu of taxes paid to Manitoba municipalities by Manitoba Public Insurance:	$1.4 million
Provincial premium taxes paid by Manitoba Public Insurance:	$27.5 million
Estimated savings to policyholders through use of recycled parts:	$15.6 million
Estimated direct savings to policyholders through subrogation:	$14.0 million
Dollars invested in road safety programs:	$24.9 million

Significant Numbers	
Average number of Autopac claims reported to Manitoba Public Insurance per working day:	1,079
Total Autopac claims reported:	267,611
Bodily injury claims reported:	16,671
Property damage claims reported:	250,940
Total theft claims reported in Winnipeg:	2,291
Total theft claims reported elsewhere in province:	1,037
Number of Autopac policies in force (average):	955,342
Licensed drivers in Manitoba:	776,209
Calls answered by Manitoba Public Insurance Call Centre:	771,643
Total visits to www.mpi.mb.ca:	3,160,716

Corporate Five-Year Statistics	**2009**	2008	2007	2006	2005
Premiums Written ($000)	**906,229**	885,682	842,053	812,378	779,316
Claims Incurred ($000)	**614,198**	605,643	618,399	628,370	616,590
Number of Claims	**267,611**	254,856	280,319	269,135	253,080
Average Cost per Claim ($)	**2,295**	2,376	2,206	2,335	2,436
Claims Expense ($000)	**97,448**	90,443	84,505	79,850	78,586
Other Expenses ($000)	**232,973**	221,563	194,879	181,490	164,991
Income (Loss) ($000)	**86,944**	(6,555)	97,440	68,388	105,809
Investments at Year-End ($000)	**2,207,582**	2,022,893	2,181,838	2,012,821	1,877,148
Total Assets ($000)	**2,791,551**	2,434,137	2,570,939	2,357,731	2,218,895

Board of Directors (L TO R)

FRONT ROW

Manisha Pandya

Jake Janzen, Chairperson

Daryl Reid

BACK ROW

Kerry Bittner, Vice-Chairperson

Mary Johnson

Annette Maloney

Debbie Mintz

Ed Arndt

Marilyn McLaren, Ex-Officio

Dale Paterson

Message from the Chairperson

Just over 40 years ago, Manitoba started the work necessary to create the universally available mandatory public auto insurance program that exists today. From that work, the following founding principles were developed that still serve as the Corporation's key goals and objectives today:

- Universally available mandatory insurance protection against the cost of automobile accidents;
- Rates lower than those charged by private insurance companies for comparable coverage;
- Financial self-sufficiency, with no subsidies or other assistance from general government revenues;
- Return 85 per cent of premium revenue in the form of claims benefits;
- Operate at a financial breakeven level over the long term;
- Minimize public inconvenience in insurance claims procedures;
- Pursue traffic safety and loss prevention programs; and
- Encourage investment of insurance capital in Manitoba.

While over the past 40 years, we've closely followed these principles, we recognize that customer expectations have changed, and as such we have adapted and modified how we achieve these principles to align our efforts with these changing norms and expectations.

For example, we administer a world-class Personal Injury Protection Plan (PIPP) that supports Manitobans in their recovery from automobile accidents. During 2009/10, the Manitoba government made significant improvements to PIPP that guaranteed that all catastrophically-injured claimants will receive enhanced benefits over the course of their lifetimes. This included an immediate payment of $14 million in enhanced benefits to Manitobans who had been catastrophically injured in automobile collisions since PIPP began in 1994. The Corporation has set aside an additional $60.2 million to provide ongoing and future enhanced benefits to these individuals. And of course, these enhanced benefits are in place for all those who are catastrophically injured in the future.

We continue to review PIPP regularly to ensure that it meets Manitobans' needs, and remains among the most comprehensive and affordable auto-injury compensation plans in Canada.

The Corporation's rates compare favourably with other insurance providers in Canada. In early 2010, a rate comparison study involving 10 Canadian cities showed that Manitoba Public Insurance had among the lowest insurance rates in most of the driver and vehicle profiles studied. In addition, for all profiles, rates were below the national average.

Our excellent record of rate stability is partly due to the outstanding success of the Corporation's initiatives to curtail auto theft, including the Immobilizer Incentive Program and the Winnipeg Auto Theft Suppression Strategy.

The past year's achievements are truly a team effort, and we extend our thanks and congratulations to all who have contributed, including our hard working staff and our business and community partners.

On behalf of my fellow Board members, I would also like to extend our appreciation and thanks to our outgoing chair, Shari Decter Hirst. Shari served as Chairperson of the Board of Directors from 2000 to 2009.

As we move forward, we are committed to providing our customers with the best possible combination of price, coverage, service and access.

Jake Janzen
Chairperson of the Board

Executive (L TO R)

FRONT ROW

MaryAnn Kempe, Vice-President,
Community and Corporate Relations

Marilyn McLaren,
President and Chief Executive Officer

Dan Guimond, Vice-President,
Strategy and Innovation

BACK ROW

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

Christine Martin, Vice-President,
Service Operations

Ted Hlynsky, Vice-President,
Claims Control and Safety Operations

Kathy Kalinowsky,
General Counsel and Corporate Secretary

Wayne Wedge, Vice-President,
Facilities and Chief Information Officer

Message from the President

Since the early 1990s, Manitoba Public Insurance has continued to build and enhance a customer-centric model of business for meeting the licensing, registration and insurance needs of Manitobans. Today we have a holistic view of our customers and their vehicles, which has enabled us to provide products and services that are responsive to their needs and relevant to their changing expectations and our changing communities. We have also been driven to ensure we are available to serve Manitobans where and when they need us, and to reduce unnecessary or lower value interactions.

The merging of Driver and Vehicle Licensing with Manitoba Public Insurance in 2004 provided an opportunity to significantly increase value to Manitobans. The management team, with the full support and guidance of the Board of Directors, made the decision to maximize that opportunity by fully integrating the new *Drivers and Vehicles Act* (DVA) administrative responsibilities with our business.

To that end, we began work on a number of initiatives to improve service and access in ways that would not have been possible without the merger. These improvement initiatives have primarily been funded with excess retained earnings from the competitive lines of business.

Since 1971, Manitoba Public Insurance has provided guaranteed access to high quality auto insurance in an integrated manner with licensing and registration. In 2006, when driver licensing services were integrated with Autopac services, this immediately improved service and also set the stage for the more meaningful service improvements we introduced during this last year.

One of the ways we've improved service is by transitioning Claims Centres into Service Centres. This new service model provides a wide range of services under one roof, in more communities across the province.

This year, we're also pleased to report the launching of the one-piece driver's licence, as well as the Enhanced Identification Card, Enhanced Driver's Licence and the Manitoba Identification Card. These were important initiatives for the Province to ensure that its citizens continued to have the ability to easily and affordably visit their neighbours to the south, in the face of changing U.S. border requirements.

We've also implemented a new, multi-year licence and policy renewal process which reduces unnecessary visits to an Autopac agent or Service Centre. In doing so, we worked closely with the Insurance Brokers Association of Manitoba, and have its full support, as they also saw the value of streamlining visits for customers.

And one of our biggest achievements this year is the implementation of Driver Safety Rating (DSR) – an easy-to-understand program which improves the link between Autopac premiums and driving behaviour.

Most of our customers make use of multiple aspects of Manitoba Public Insurance products and services and as a result have been positively affected by these changes. From an internal perspective, the line of business that has been the greatest beneficiary of the enhancements made possible through the merger is the basic compulsory Autopac program. Basic Autopac ratepayers have and will continue to receive meaningful financial savings through the efficiencies of the new multi-year policy renewal process. And, long-term safe drivers will receive deeper discounts through DSR.

To do great things, you need a great team. I'd like to thank our Board of Directors for their support and guidance as well as our dedicated staff who consistently deliver on our promises with enthusiasm and professionalism.

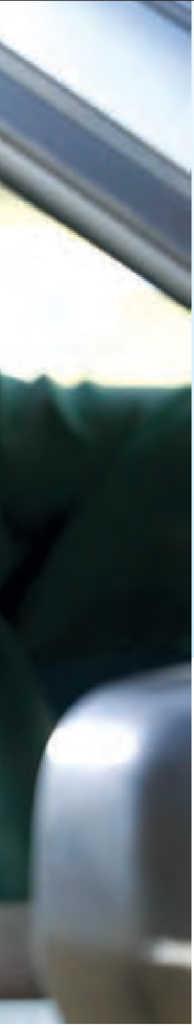
We will continue to look for opportunities to improve our service, to be more innovative and efficient and stay at the forefront of the industry.

Marilyn McLaren
President and Chief Executive Officer

The New Driver Safety Rating

Better value for Manitoba's safest drivers

Our customers believe that safe driving should be recognized through lower Autopac premiums. When asked, a large majority of Manitoba drivers tell us it is important to consider a person's driving history when determining individual insurance rates. We agree and as a result, we've introduced a Driver Safety Rating program that addresses these concerns.



THE BENEFITS OF THE DRIVER SAFETY RATING

The Driver Safety Rating is a new system that:

- Offers stronger financial incentives to drive safely;
- Is easier to understand;
- Provides a direct link between how you drive and what you pay.

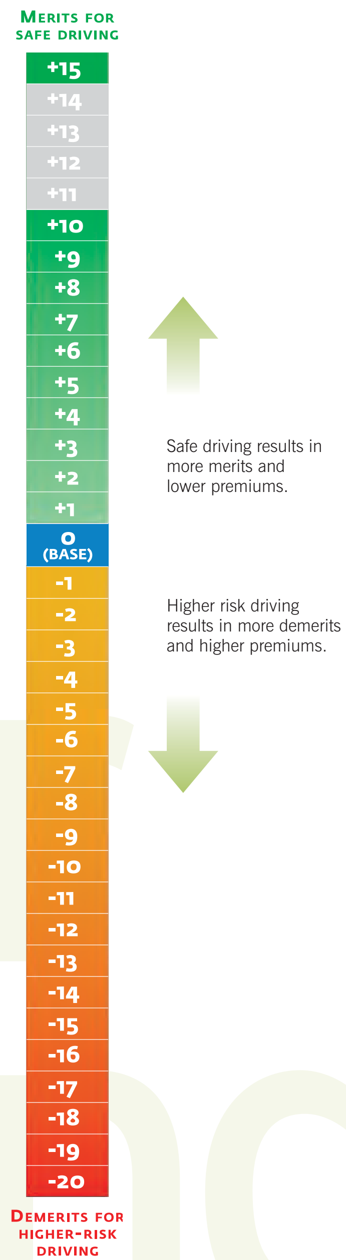
In the future, the Corporation will provide up to 30 per cent savings on vehicle premiums for the lowest risk drivers.

We've improved the way we do that through the implementation of the Driver Safety Rating (DSR). The DSR system recognizes safe driver behaviour in a fair and simple way. Under the DSR, drivers are placed on a scale based on their driving records. Each year of safe driving results in one level up the scale. Moving up the scale means more merits, which results in lower premiums. Moving down the scale means fewer merits (or more demerits) and higher premiums. Today, the highest-risk drivers pay about $1,000 for their driver's licence premium. Eventually, they may pay up to $2,500, or 150 per cent more.

In the future, there will be even greater savings on vehicle premiums for safe drivers. We intend to provide up to 30 per cent savings on vehicle premiums for the lowest-risk drivers.

The DSR will be phased in and all Manitoba drivers will be on the new program by March 2011.

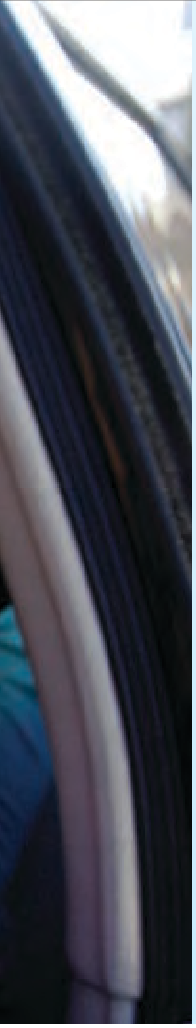
Get in the Green!



New licensing and identification options

Providing Manitobans with security, convenience and affordability

Manitoba Public Insurance now offers more licensing and identification options to meet the diverse needs of Manitobans, including a new one-piece driver's licence, the Manitoba Enhanced Driver's Licence, the Manitoba Enhanced Identification Card, and the Manitoba Identification Card.



Enhanced Driver's Licences and Enhanced Identification Cards are affordable alternatives for travelling to the U.S. by land or water.

One-piece driver's licence

All drivers who applied for or renewed a driver's licence after January 11, 2010 received Manitoba's new one-piece driver's licence. This new, convenient card eliminates the previous two-part licence and has advanced security features to help prevent identity theft. Its introduction was timed to coincide with the launch of our new five-year renewal system, which calls for a durable card that will last for up to five years. All Manitoba drivers will be converted to the new, one-piece driver's licence by March 2011.

Manitoba Enhanced Driver's Licence and Manitoba Enhanced Identification Card

Offering the convenience of a driver's licence and border-crossing document in one, the Manitoba Enhanced Driver's Licence (EDL) is a licence to drive that denotes identity and citizenship, and can also be used to cross the U.S. border by land or water.* The card is voluntary.

For people who don't drive, or prefer to keep their driver's licences separate from their border-crossing documents, the Manitoba Enhanced Identification Card (EIC) is another option. It's a voluntary provincial identification card that can also be used to enter the U.S. by land or water.* It has all the same features as the EDL, except it's not a licence to drive. Both cards cost less than a passport and are made with advanced technology-based features.

*A passport or other approved document is required to travel to the U.S. by air and to travel to other countries.

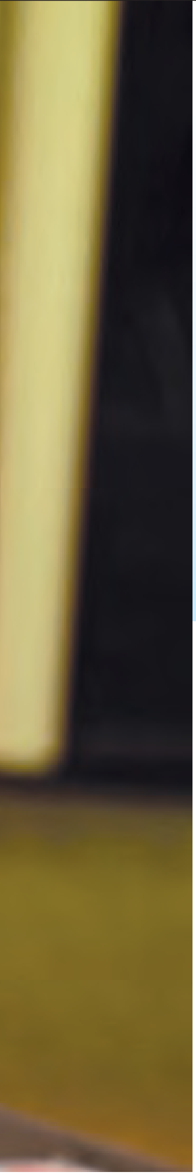
Manitoba Identification Card

Manitobans who do not hold a driver's licence now have a new option for government-endorsed photo identification. Starting in May 2009, Manitoba Public Insurance began taking applications for the Manitoba Identification Card (IC), which provides secure proof of age, identity and residency for Manitobans 12 years of age and older. The IC has some of the same features as the EIC, but does not indicate Canadian citizenship and cannot be used to enter the United States.

Full service arrives in Winnipeg, Arborg, Beausejour and Steinbach

More outlets and services, where and when customers need them

During 2009/10, four Winnipeg Claims Centres and three rural centres made the transition to full Service Centres. In addition to their traditional core business of serving claimants, these Service Centres now offer a full range of claims, insurance sales, driver testing and licensing services under one roof.



OUR FULL RANGE OF SERVICES

Driver testing, knowledge, practical (road) and vision testing	Driver's licence issuance, renewal and photo	Claims estimating, adjusting and settlement	Applying for an Enhanced Driver's Licence, Enhanced Identification Card or Manitoba Identification Card	Insurance issuance and renewals

Our customers are now able to access multiple services at each Service Centre, and early feedback has confirmed overwhelming customer support for the convenient, multi-service concept.

To accommodate the enhanced services, the centres have undergone extensive renovations, including expanded customer service and waiting areas, image capture stations for driver's licence photos, and knowledge test booths for the Corporation's new, computer-based testing services.

As of March 2010, the Corporation offers full service at 11 locations in Manitoba, including the new Main Street Service Centre at 1284 Main Street in Winnipeg, which opened on March 29, 2010. The Main Street Service Centre is the Corporation's first new Winnipeg building in more than two decades, and replaces the aging King Street Claims Centre.

Later in 2010, two more Service Centres will open – the Bison Service Centre at Barnes Street and Bison Drive, near the University of Manitoba; and the Gateway Service Centre, at 40 Lexington Park, near the corner of Gateway Road and Springfield Road.

Research was undertaken to choose the new locations. The Bison and Gateway sites will serve rapidly growing communities in south and northeast Winnipeg. By bringing services to some of Winnipeg's fastest-growing and most densely populated communities, customers will travel fewer miles to access the services they need, producing less greenhouse gas and supporting sustainable development policies.

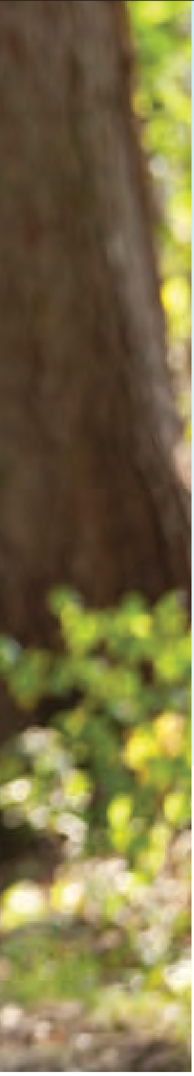
Manitoba Public Insurance now offers full service at 11 locations in Manitoba.

Personal Injury Protection Plan (PIPP)

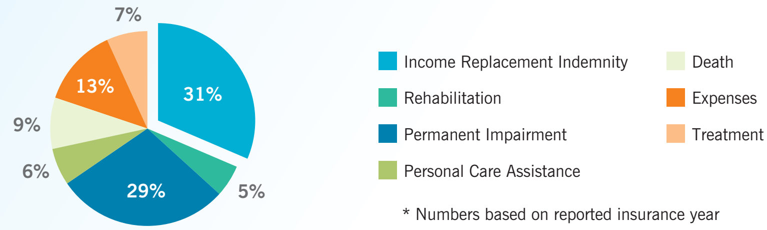
Enhanced benefits for those who need it most

Automobile injuries can and do happen. And when they do, Manitoba Public Insurance is there to assist.

The Corporation administers a world-class Personal Injury Protection Plan (PIPP) that supports Manitobans who are recovering from injuries sustained in automobile collisions. The plan ensures that Manitobans who are injured in an automobile collision are fairly compensated for their economic losses, and also ensures that automobile insurance premiums remain stable, predictable and affordable.



PIPP CLAIMS IN 2009/10 ($175.0 MILLION)*



* Numbers based on reported insurance year

The Corporation administers a world-class Personal Injury Protection Plan (PIPP) that supports Manitobans who are recovering from injuries sustained in automobile collisions.

In 2009, PIPP was enhanced by the Manitoba government through the passing of Bill 36, which defines catastrophic injury and increases benefits to claimants who have been catastrophically injured as a result of vehicle collisions. Enhancements include an increase in the minimum Income Replacement Indemnity, an increase in permanent impairment payments and personal care amounts, and new catastrophic transitional expense coverage.

Catastrophically injured claimants are now eligible to receive:

- A minimum income replacement based on the Industrial Average Wage, currently at $37,122 annually. The benefit was previously based on the provincial minimum wage of $18,720.
- A lump-sum permanent impairment payment of up to $215,000 (previously $136,160). This benefit recognizes that a person has suffered a permanent loss of function, or physical or mental capacity.
- An $800 per month extension for personal-care assistance, over and above the $4,084 per month maximum. This benefit is available to catastrophic injury claimants whose expenses exceed their pre-assessed monthly limit.
- Transitional expense coverage of up to $1 million (lifetime), which is meant to respond to special circumstances, including bridging a claimant's coverage while it is co-ordinated with other government programs. This will result in an overall decrease to PIPP costs in the future.

In addition, a claimant's survivors are now entitled to receive full death payments and a permanent impairment payment if the claimant dies at least 90 days after the collision. Funeral expenses are now paid based on the maximum entitlement in effect at the time of death.

The enhancements did not result in any increase in Autopac rates.

Manitoba Public Insurance in the community

Helping to build a safe, healthy, sustainable future

Our Corporation and our employees have a long tradition of working throughout the province to build safe, healthy, sustainable communities. In 2009, Manitoba Public Insurance again went the extra mile, donating countless volunteer hours to raise funds for worthy charities, sponsoring programs to keep our roads and highways safe, and developing initiatives to support a cleaner, greener environment.

During 2009, Manitoba Public Insurance employees raised approximately $350,000 for worthy causes in Manitoba and beyond.

Helping people and communities in need

Through a variety of fundraising events, Corporation staff raised approximately $350,000 for such worthy causes as the United Way, Canadian Cancer Society, the Cerebral Palsy Association of Manitoba, Winnipeg Harvest and Haitian relief efforts. We are especially proud of our staff who volunteered for the United Way campaign. For the first time, the Corporation's President and Chief Executive Officer was appointed to the United Way of Winnipeg's Campaign Cabinet. As a member of the Campaign Cabinet, Marilyn McLaren assumed the role of Chair of the Leadership Development Program, working with local business leaders to lend her expertise to United Way fundraising efforts.

Campaign committees were acknowledged by the United Way for their dedication and team spirit. Co-chairs Dave Chimuk and Jo-Ann Trudeau accepted the Employee Campaign Chair Award, which recognizes Campaign Chairs and Co-chairs who are shining examples of best practice, creativity, enthusiasm and energy. The overall campaign was also nominated for the Best in Show Spirit Award, which recognizes enthusiasm, creativity and innovation. Brandon staff received the Campaign Chairman's Award of Excellence from the Brandon United Way, one of only two such awards presented in Brandon this year.

Citizens on Patrol Program

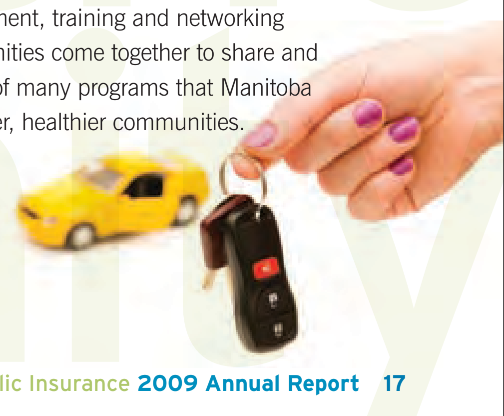
Manitoba Public Insurance proudly supports the Citizens on Patrol Program (COPP), a volunteer-based, grassroots program that provides an effective outlet for citizens to address local community concerns, with an emphasis on reducing crime and creating community awareness in regards to road safety issues such as auto theft, speeding and seatbelt use.

Currently, COPP has 60 active groups, with more than 1,600 volunteer members in total, patrolling communities across Manitoba. COPP volunteers work closely with local officials and act as the "extra eyes and ears" of community law enforcement agencies.

COPP continues to make a big difference to the safety of Manitoba communities. During April of 2009, Margaret and Tracy Weins, two COPP volunteers in Grunthal, Manitoba, noticed a young child running along the street in bare feet and pyjamas, in below-freezing temperatures. They quickly gathered up the frightened, shivering youngster and placed him in their vehicle. Working with other COPP members and local RCMP, they were able to determine the youngster's identity and safely return him home.

The young boy was a special needs student who had wandered out of his home while his family members were asleep, and they were unaware that he had left. The quick action of the COPP members prevented a possible tragedy from occurring.

Manitoba Public Insurance provides ongoing support to COPP groups through our Provincial Coordinator, as well as basic equipment, training and networking opportunities where people from different communities come together to share and learn from each other. The COPP program is one of many programs that Manitoba Public Insurance supports in an effort to build safer, healthier communities.



HOW MANITOBA PUBLIC INSURANCE IS SUPPORTING THE ENVIRONMENT

- Building new facilities to achieve LEED (Leadership in Energy and Environmental Design) Silver Certification;
- Upgrading existing facilities to achieve BOMA (Building Owners and Managers Association) Go Green Plus Certification, recognizing leadership in environmental stewardship;
- Recycling a wide variety of materials, including paper and cardboard, plastic and metal containers, building fixtures, carpet and electronic devices, and vehicles and vehicle parts;
- Reducing the distance customers have to travel and achieving a reduction in greenhouse gases through the effective location of new Service Centres;
- Reducing fuel consumption through the use of hybrid vehicles and fuel efficient cars.

Building a cleaner, greener environment

The Corporation also continued its commitment to developing and providing environmentally sound and sustainable products and services.

The locations of our three new Service Centres – Main Street, Bison and Gateway, all of which open in 2010 – were chosen to meet customer service needs, and they will be situated in heavily populated, growing neighbourhoods. This will reduce the distance that customers drive to access our services, and less driving means reduced greenhouse gases and a cleaner environment.

Each centre will feature a variety of environmentally friendly technologies that will enhance human and environmental health, and also create economic benefits. Each facility is being built to a standard that will achieve a silver rating on the Leadership in Energy and Environmental Design (LEED) Green Building Rating System. The LEED Rating System recognizes performance in five key areas of human and environmental health, including sustainable site development, water efficiency, energy efficiency, materials selection and indoor environmental quality.

New multi-year licence and policy renewals

More convenience, more choice

As of January 11, 2010, the Corporation began transitioning customers to a new multi-year renewal process, which will make it easier and more convenient for customers to renew their Autopac policies, driver's licences and identification cards.

With our new five-year licences and policies, customers will only need to visit an Autopac agent once every five years, unless they want to change or cancel their policies between renewals. Customers will still pay for driver's licences and vehicle insurance every year, but they won't have to visit an agent – they can pay online or by telephone banking. For even greater convenience, customers can pay by automatic monthly payments through debit or credit cards. In years between renewals, customers will receive an annual Statement of Account, showing what is owed. Under this improved renewal process, policies will not automatically lapse after one year.

The new multi-year renewal process has the full support of the Insurance Brokers Association of Manitoba (IBAM). Brokers will play an integral role in administering this service enhancement.

The new process will result in reduced costs, and those savings will be passed on to customers through reduced premiums.

Management Discussion and Analysis

Management Discussion and 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 Mission

Working with Manitobans to reduce risk on the road.

Corporate Values

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.

The Corporation's Service Delivery Model

Manitoba Public Insurance was created in 1971 with the primary purpose of administering the basic compulsory, universally available 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;
- DDVL administered driver's licensing and insurance.

In 2004, the government merged the operations of the former DDVL (which was a division of the Ministry of Transportation) 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.

The Corporation's chosen approach to achieving the third objective was to enhance its customer-centric service model and create a truly holistic approach to serving Manitobans. The Board of Directors took the view that not only was this an opportunity to significantly improve service, but a responsibility to enhance value to Manitobans, to the maximum extent possible. Excess retained earnings from competitive insurance lines of business were set aside commencing in 2007 for this purpose. A total of $91.6 million has been set aside, of which $43.3 million has been expensed to date. The remaining $48.3 million will be used for additional improvement initiatives.

Today, the Corporation, its staff and business partners are available to serve Manitobans where and when they need us and we have significantly reduced unnecessary or lower value interactions. This new model would not have been possible without the merger and is clearly a leading practice in delivering customer service.

BROKER NETWORK

Independent insurance brokers are the main conduit for selling and renewing Autopac insurance and renewing driver's licences. Brokers are also taking on additional responsibilities, including booking appointments and collecting application fees from Manitobans applying for the new Manitoba Enhanced Identification Card (EIC) and the Manitoba Identification Card (IC), both of which were introduced in 2009.

Customers have responded very favourably to the broadening of the Autopac broker's role. As an example, in 2009, 93 per cent of customers renewing their driver's licences were satisfied with the service they received.

Brokers have welcomed and supported the changes to the service delivery model. They have recognized that together, we are enhancing the value provided to Manitobans by this automobile insurance and registration system. As well, by working collaboratively with us and embracing our request that they be involved in a wider range of services, they are strengthening the viability of their local independent businesses.

SERVICE CENTRES

In 2009, the Corporation continued to move forward with its new service model, converting seven existing Claims Centres into Service Centres. This included four of Winnipeg's Claims Centres, as well as centres in Steinbach, Arborg and Beausejour.

The Service Centre model combines all claims, insurance sales, driver testing and licensing services under one roof, which will provide better customer service, reduced costs, and better employment conditions. While the centres are capable of offering all services, the Corporation continues to support the broker network as the primary and dominant channel for insurance and licensing services.

The Service Centre concept was successfully piloted in Winkler in 2007 before being rolled out to Brandon and Thompson in 2008. Customer response has been highly favourable, with frequent customer comments on the convenience of the new model. In Winkler, almost 50 per cent of the population within a 50 kilometre radius has chosen to attend the Service Centre rather than wait for scheduled local service delivered through mobile staff. And less than half of the people attending the Winkler Service Centre are from Winkler itself.

In 2010, three new Service Centres open in Winnipeg. This includes the Main Street Service Centre, which opened March 29 and replaces the King Street Claims Centre. It also includes the new Gateway and Bison Service Centres, which will open in September 2010, serving the growing populations of Winnipeg's northeast and southern communities. In addition, these three new centres are open from 7:30 a.m. to 5:30 p.m. on weekdays, and 8:30 a.m. to 4:00 p.m. on Saturdays.

The three Winnipeg sites, which will offer a full range of claims and licensing services, were selected after careful evaluation and independent assessment by a third-party expert. In choosing the new Service Centre locations, a variety of factors were considered, including housing starts, population growth and projected claims growth. Locations were also chosen that will decrease the environmental impact of service delivery by reducing the distance customers need to drive.

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.

We will be converting the existing Dauphin and Portage la Prairie Claims Centres into Service Centres, as well as replacing the existing Claims Centre in Selkirk with a brand new Service Centre.

ROAD SAFETY

The Corporation continues to focus efforts on education, awareness and strategies to build community involvement in helping to reduce risk on the road. Our goals are to inform and educate Manitobans about key road safety concerns, including the risks and costs associated with speed and aggressive driving, drinking and driving, and non-use of occupant restraints. We do this in collaboration with other like-minded road safety stakeholders and community groups throughout Manitoba.

We continue to recognize that traditional road safety models require coordinated educational, enforcement and engineering efforts to have a maximum impact. Toward that end, we continue to work closely with law enforcement partners throughout Manitoba to encourage greater levels of traditional traffic enforcement, and to provide data and data capture tools that assist police agencies in tailoring their enforcement efforts.

The Corporation also remains the proud sponsor of Manitoba's High School Driver Education Program, and works closely with Safety Services Manitoba in the delivery of other road safety and driver improvement courses.

Corporate Goals, Strategies and Measures

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 loss prevention strategies.

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.

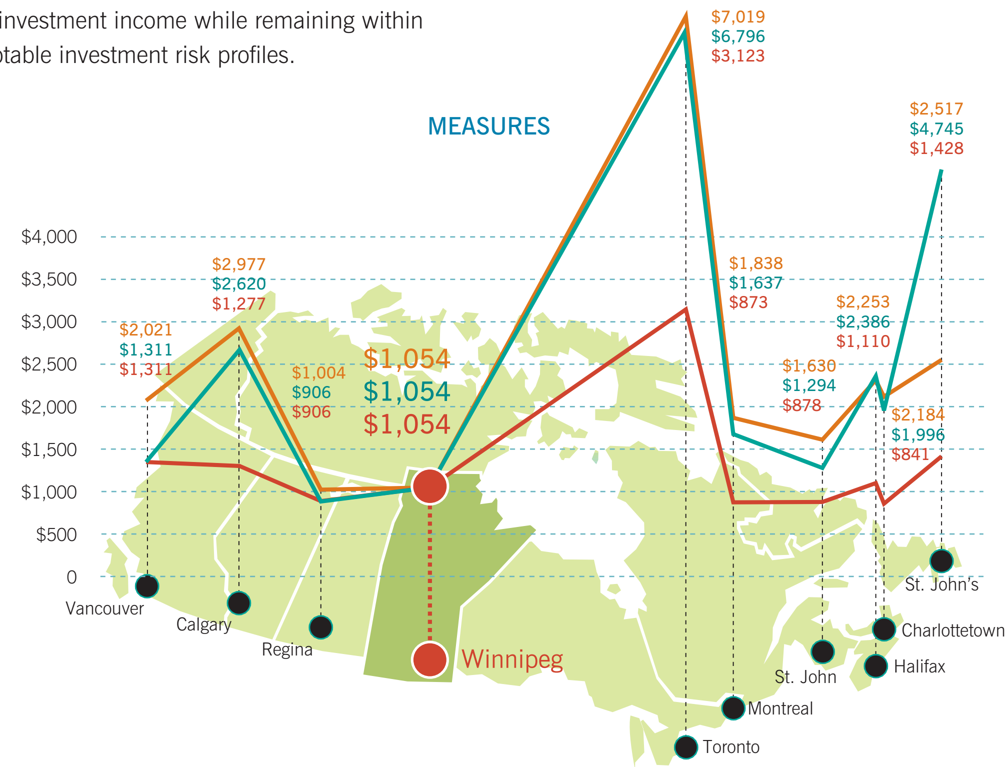
1.5 To increase the percentage of revenue derived from investment income while remaining within acceptable investment risk profiles.

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



■ 21-year-old male, 5 year clean driving record ■ 40-year-old couple both 15-year clean driving records, and 16-year-old son who's accident-free

■ 35-year-old couple both with 15-year clean driving records

Rates based on: 2005 Toyota Corolla CE (4 door, 4 cylinders, 2 wheel drive), $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.

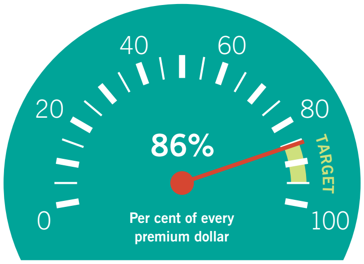
STRATEGIES

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.

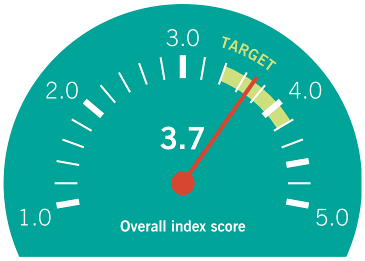
3.3 Special Risk Extension – to be profitable by responding to the variable and specialized needs of our commercial customers and providing personalized auto-related insurance products that cannot be met by the universal compulsory program or by the automobile extension program. To partner with customers 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 new service delivery model to meet customer expectations, increasing 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 enhance a customer-centric service philosophy.

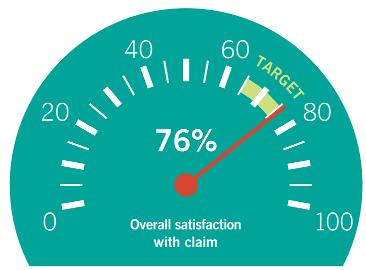
4.2 To create, publish and comply with comprehensive customer service standards for ourselves, brokers, business associates and service providers who are in contact with our customers.

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

MEASURES

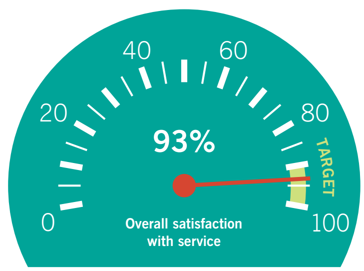
Physical Damage Claims

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

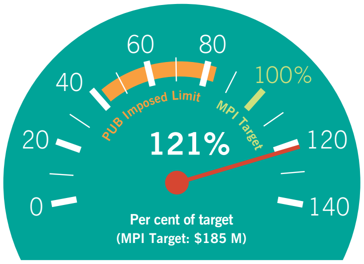
5.1 To maintain financial stability by setting appropriate premium rates, strengthening investment income and maintaining retained earnings and Rate Stabilization Reserve within established target levels.

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

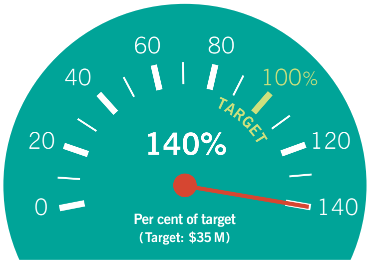
5.3 To develop business strategies to ensure competitive lines of business are profitable and contribute to the benefit of all Manitobans.

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.

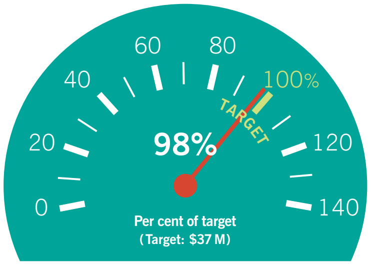
MEASURES



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

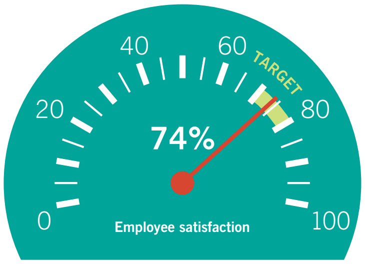
6.1 To foster a culture that attracts and retains a diverse workforce throughout the Corporation. To remove systemic barriers that might impede our progress toward these goals.

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.

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 develop an evidence-based road safety strategy with an aim to reduce automobile accidents, using a multi-faceted approach.

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

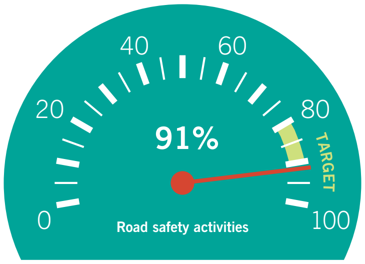
7.3 To ensure vehicles and vehicle repairs meet provincial mechanical standards.

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

7.5 To continue to provide a clear and understandable Driver Safety Rating program, which rewards safe drivers and motivates higher-risk drivers to improve their driving behaviour through insurance rates that reflect the risk they represent on the road.

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 79 cents in claims benefits. Broker commissions and premium taxes accounted for 11 cents of every dollar of revenue earned while other operating expenses including regulatory and appeal expenses also cost 11 cents. These expenses were offset by investment income equal to about 10 cents per dollar of revenue. This resulted in the Corporation's net income being about nine cents for every dollar of revenue earned during the year.

WHERE YOUR PREMIUM DOLLAR HAS GONE

TOTAL CLAIMS COSTS	OPERATING & REGULATORY/ APPEAL EXPENSES	BROKER COMMISSIONS	PREMIUM TAXES
79¢	11¢	8¢	3¢

TOTAL EARNED REVENUES		TOTAL CLAIMS AND EXPENSES		UNDERWRITING LOSS		INVESTMENT INCOME		NET INCOME
$1.00	–	$1.01	=	(1)¢	+	10¢	=	9¢

CURRENT YEAR AND LAST YEAR

Net income from annual operations rose by $93.5 million to $86.9 million. Increased investment income of $91.7 million together with improved underwriting results of $1.8 million contributed to the rise in operating results.

REVENUE

Total earned revenues increased by 3.2 per cent to $935.3 million in 2009/10 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 *The Drivers and Vehicles Act* (DVA) operations.

CLAIMS COSTS

The Corporation's overall claims costs increased by $13.1 million, a rise of less than two per cent, to $736.5 million. The average Autopac (Basic and Extension) cost per claim decreased by $144 to $2,144 while the total number of claims filed increased by 12,755 from 254,856 last year to 267,611 in 2009/10. This year's claims filed include just over 11,000 claims resulting from a severe hailstorm that struck southern Manitoba including Winnipeg, Brandon and Steinbach regions in the summer of 2009.

Injury claims incurred increased by $8.9 million or 4.3 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 $39.1 million for the year. In 2008/09 development on prior years' claims was also better than expected, decreasing claims incurred by $35.4 million.

Physical damage claims incurred decreased slightly by $0.3 million from the previous year. The hailstorm that struck southern Manitoba increased the current year's claims incurred by $13.3 million, after reinsurance recovery.

Customer service improvement initiatives, including road safety expenditures, contributed to an increase in claims costs of $4.5 million.

EXPENSES

Total Corporate expenses increased by $13.9 million to $208.1 million as the Corporation continued to integrate DVA 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 $96.3 million compared to $4.6 million last year. The $91.7 million improvement is primarily due to the high losses on investments realized last year due to the impact of the global financial crisis on the equity and bond portfolios. Refer to Note 14 of the Financial Statements for a breakdown of investment income by type of investment.

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 $2.2 billion at February 28, 2010, a rise of $184.8 million or 9.1 per cent from the previous year. The bond portfolio, which accounts for 77.2 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 (54.3 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 (20.3 per cent); and
- Real return bonds providing returns linked to the rate of inflation and issued by the Government of Canada and provinces (2.6 per cent).

Manitoba Public Insurance contracts five external investment managers to administer its Canadian equity portfolio, which represents 14.3 per cent of the total investment portfolio. The Corporation also has 3.3 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 4.2 per cent of the investment fund; venture capital and private equity investments represent 0.3 per cent of the portfolio's carrying value and directly held real estate investments account for 0.7 per cent of the investment portfolio.

The total portfolio, on a market value basis, had a 13.7 per cent return during the fiscal year reflecting the general recovery in capital markets. Marketable bonds returned 7.7 per cent, non-marketable bonds 6.2 per cent, floating rate notes 5.4 per cent and real return bonds 22.8 per cent. Large cap Canadian equities returned 46.3 per cent over the same time period, small cap Canadian equities returned 52.2 per cent and U.S. equities returned 50.6 per cent, including the currency hedge. Over a four year period, the investment portfolio has achieved an annualized return of 4.4 per cent.

Basic

CURRENT YEAR AND LAST YEAR

Basic insurance reported net income from annual operations of $87.8 million, an increase of $96.0 million from the previous year's net loss of $8.2 million. Greater investment income of $80.5 million and better underwriting results of $15.5 million resulted in the improved results.

REVENUE

Total earned revenues increased $28.4 million to $743.7 million, as the number of policies in force at year-end increased to 931,942 from 912,374.

CLAIMS COSTS

Total claims costs of $623.4 million – including claims payouts and handling, loss prevention and road safety expenses – increased by less than $0.5 million.

Injury claims

Injury claims costs decreased from last year by $5.1 million to $184.9 million. The number of injury claims declined by 272 to 16,671, the second decrease in a row, and the severity of Personal Injury Protection Plan (PIPP) claims also fell by $126 to $2,896.

Physical damage claims

Physical damage claims costs increased $1.4 million to $330.9 million. The number of collision claims of 142,259 declined by 4,675 or 3.2 per cent which contributed to a decrease in the cost of these claims of $13.1 million to $234.5 million, an improvement of 5.3 per cent. Comprehensive claims costs – which include primarily glass, weather-related, theft and attempted theft claims incurred – increased $13.2 million. Basic's share of the hailstorm that struck Winnipeg, Brandon, Steinbach and other southern Manitoba communities increased this year's claims incurred by $11.9 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 $2.4 million or 15.2 per cent and attempted theft claims costs fell $1.1 million or 18.6 per cent. Property damage claims costs rose by $1.3 million due mainly to a rise in severity.

INJURY CLAIMS

Years Ended February 28/29

Type of Claim	2010	2009	2008	2007	2006
Chronic pain	**16**	10	39	59	61
Fatal	**135**	131	159	161	144
Brain injury	**66**	44	86	74	80
Quadriplegic	**6**	3	5	1	3
Paraplegic	**3**	6	6	14	9
Broken bones	**754**	766	785	837	728
Whiplash	**13,885**	14,669	15,173	14,508	12,725
Bruising/Lacerations	**801**	651	707	610	539
Other	**1,005**	663	751	1,179	1,531
Total	**16,671**	16,943	17,711	17,443	15,820

EXPENSES

Basic's expenses increased $12.4 million to $116.6 million. Commission costs and premium taxes increased $5.7 million and $1.0 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 $84.1 million compared to $3.7 million last year, a rise of $80.4 million.

Years Ended February 28/29					
Basic Autopac Five Year Statistics ($000)	**2010**	2009	2008	2007	2006
Premiums Written	**738,999**	714,265	675,762	654,800	631,693
Claims Incurred	**515,788**	519,541	525,287	534,860	520,962
Claims Expense	**84,012**	77,620	73,146	68,965	67,169
Other Expenses	**140,221**	129,997	123,963	114,330	103,923
Net Income (Loss)	**87,773**	(8,165)	69,040	47,783	85,703
Net Income (Loss) after Surplus Distribution	**87,773**	(8,111)	6,475	(11,869)	27,703

RETAINED EARNINGS

At February 28, 2010, Basic retained earnings of $224.7 million are allocated entirely to the Rate Stabilization Reserve (RSR). As at February 28, 2009, Basic retained earnings totalled $136.9 million. Of that total, the RSR made up $134.9 million and the Immobilizer Incentive Fund (IIF) totalled $2.0 million. During the current fiscal year the IIF was depleted. The Corporation will continue to provide the same financial assistance for vehicle owners to install electronic immobilizers that meet the Canadian standard. Program costs are included in Road Safety/Loss Prevention costs, which are more than offset by savings in claims costs.

Extension

CURRENT YEAR AND LAST YEAR

Extension insurance reported a net loss of $0.1 million comprised of net income from the sale of extension products of $27.5 million ($14.3 million last year) and a $27.6 million net loss ($27.6 million net loss last year) resulting from *The Drivers and Vehicles Act* (DVA) operations. DVA operations continued to be reported through the Extension line of business this year as efforts continued to leverage the opportunities provided by the merger, because excess retained earnings from the competitive lines continue to fund both the improvement initiatives and difference between the payment from the Province and the cost of the ongoing operation.

Net income from the sale of extension products increased by $13.2 million as underwriting results rose by $5.1 million and Extension's share of investment income improved by $8.1 million.

The current year's loss due to DVA operations was $9.2 million with the remaining $18.4 million loss due to project costs associated with improvement initiatives. The Corporation has purposefully chosen to maximize the advantages presented by the merger with Driver and Vehicle Licensing through these improvement initiatives. These project costs are recovered from the Extension Development Fund. The results also reflect a change in accounting policies. Canadian GAAP rules have changed so that a business enterprise can no longer defer the costs of business improvement initiatives that do not provide an economic return, to future periods (see Note 4). The Corporation's administrative responsibilities under the DVA do not provide an economic return in future periods. Therefore, this rule applies to DVA project costs, and costs that were previously deferred are now expensed as incurred.

REVENUE

Earned revenues from the sale of extension products increased $3.2 million to $121.9 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 which partially offsets DVA operating costs.

CLAIMS COSTS

Total claims costs – including claims benefits, claims handling, loss prevention and road safety expenses – decreased $5.4 million to $68.3 million. Physical damage claims costs increased by $0.5 million, exhibiting similar trends as the Basic line of business. Injury claims decreased by $6.2 million due primarily to decreased severity.

EXPENSES

Expenses related to the sale of Extension products increased $3.5 million to $34.6 million. Commission costs rose by $2.9 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. The current year's commission costs reflected a full year under the new rates.

Expenses related to DVA operations were $46.3 million, $1.4 million less than last year's expenses. These expenses reflect the changes in deferred costs as noted above.

INVESTMENT INCOME

Total Extension's share of Corporate investment income, net of impairments and investment management fees, was $6.7 million compared to $0.3 million last year, a rise of $6.4 million.

RETAINED EARNINGS

Extension's total retained earnings are made up of retained earnings from the sale of Extension products and the Extension Development Fund (EDF). As at February 28, 2010, Extension retained earnings totalled $49.1 million ($41.0 million previous year) and the EDF totalled $48.3 million ($41.6 million previous year).

Since its inception in 2007, $91.7 million has been appropriated from Extension retained earnings ($33.3 million) and Special Risk Extension retained earnings ($58.4 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, 2010 has reduced the EDF to $48.3 million. Additional information is provided in the Notes to Financial Statements (Note 24).

Years Ended February 28/29					
Extension Five Year Statistics ($000)	**2010**	2009	2008	2007	2006
Premiums Written	**118,985**	118,693	110,618	100,754	92,205
Claims Incurred	**57,863**	63,517	59,621	60,925	55,786
Claims Expense	**9,285**	8,807	7,988	7,868	7,854
Other Expenses *	**81,953**	80,046	58,710	55,144	49,753
Net Income (Loss)	**(144)**	(13,289)	12,351	3,235	9,168

* Includes expenses related to DVA operations which are partially offset by an annual payment of $21.0 million from the Province of Manitoba.

Special Risk Extension (SRE)

CURRENT YEAR AND LAST YEAR

SRE insurance reported a net loss of $0.7 million, a decline of $15.6 million from the previous year. Improved investment income of $4.8 million was offset by a $20.4 million drop in underwriting results.

REVENUE

Total earned revenues decreased $3.0 million to $49.4 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, increased $18.0 million to $44.9 million. Physical damage claims incurred decreased by $2.2 million due mainly to lower severity. Liability and cargo claims incurred increased by $20.2 million due mainly to increased severity. Claims expense and loss prevention and road safety costs remained essentially unchanged from the previous year. The unusual increase in claims costs reflects the volatile nature of this line of business. Losses of this magnitude have not been experienced by SRE for many years, nor are they expected to become the norm.

EXPENSES

SRE's expenses decreased $0.6 million to $10.6 million. Commission costs and premium taxes both decreased by $0.1 million, 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 $5.4 million compared to $0.6 million last year, a rise of $4.8 million.

RETAINED EARNINGS

SRE's retained earnings are derived from the annual operations of the SRE line of business. As at February 28, 2010, SRE's retained earnings were $36.3 million compared to $51.9 million last year. SRE retained earnings have also contributed $58.4 million to fund the EDF, since its inception in 2007.

Years Ended February 28/29

SRE Five Year Statistics ($000)	**2010**	2009	2008	2007	2006
Premiums Written	**48,245**	52,724	55,673	56,824	55,418
Claims Incurred	**40,547**	22,585	33,491	32,585	39,842
Claims Expense	**4,151**	4,016	3,371	3,017	3,563
Other Expenses	**10,799**	11,520	12,207	12,016	11,315
Net Income (Loss)	**(686)**	14,899	16,049	17,370	10,938

Risk Management

Like any enterprise, Manitoba Public Insurance assumes risks in its operations that must be handled effectively in order to achieve its goals.

The Audit Committee of the Board of Directors ensures that enterprise-wide risk assessment processes and controls are in place to identify and mitigate these risks. The Audit Committee also monitors the Corporation's risks on an ongoing basis.

Management is responsible for developing, updating and enforcing the Corporation's Risk Management Framework, which includes:

- Risk identification and assessment of impact if there were no risk mitigation actions in place;
- Risk monitoring procedures;
- Processes and controls to manage and mitigate risks;
- The residual risk, after consideration of management action.

The Framework ensures a consistent approach for addressing risks and a common understanding of risk and its mitigation throughout the Corporation. The risks are categorized based on the Corporation's seven overall strategic goals.

Much of the risk management process is focused on Goal 1: Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

The key risk mitigation areas are:

- Maintaining an adequate Rate Stabilization Reserve;
- Maintaining adequate Unpaid Claims Reserve;
- Governance of Investments;
- Loss Prevention Strategies;
- Claims Control Strategies;
- Information Technology Processes.

Rate Stabilization Reserve

The Corporation establishes and maintains a Rate Stabilization Reserve (RSR) to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

The Corporation has not reached consensus with the Public Utilities Board (PUB) on the adequate level of the RSR. The Corporation uses the Dynamic Capital Adequacy Test, which is a standard developed by the Canadian Institute of Actuaries to determine the future financial condition of insurance companies.

This analysis shows that the Basic Autopac insurance business requires an RSR level of $185 million for the actuary to determine the financial condition is "satisfactory". The PUB-ordered RSR target levels are based on 10 per cent to 20 per cent of annual premium and do not follow any industry norms or standards. The maximum of 20 per cent of annual premium is $154 million.

The Corporation is encouraged, however, that the financial impact of the divergent approaches is now approximately $30 million, which represents a significant reduction in the gap created by previous approaches by both parties. At this time, the Corporation intends to base its PUB rate applications on the maximum of the PUB RSR target.

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 serves to mitigate risk of misstatement of unpaid claims reserves.

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 totalled $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. We manage the investment portfolio to reduce this potential volatility.

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. For example, because the unpaid claims liabilities of the Corporation are inflation sensitive, investments that are inflation sensitive, such as real estate and real return bonds, are included in the portfolio. The Corporation has completed asset liability management studies to ensure that the asset mix chosen is compatible with the Corporation's liability profile. A complete description of these risks and risk mitigation strategies are outlined in the Notes to Financial Statements (Note 6).

Loss Prevention Strategies

As part of its loss prevention strategy, the Corporation has been a key player in Manitoba's fight against auto theft and claims fraud.

Auto Theft Strategies

Manitoba Public Insurance continues to make significant progress in reducing auto crime in almost every category. From 2004 – just prior to the Corporation implementing its auto theft initiatives – to 2009, auto thefts dropped 75 per cent. Combined, total and attempted thefts are now the lowest in the province since 1992, and 65 per cent lower than 2006 when this combined total peaked.

After making very significant progress against auto theft in 2008, the Corporation achieved even greater results in 2009. In 2009, there were 3,328 total thefts and 2,816 attempted thefts in the province as compared to 2008, when there were 4,054 total thefts and 3,693 attempted thefts. This gives a combined reduction of 20.7 per cent from 2008.

The Winnipeg Police Service reports that in 2009, the average number of vehicles stolen daily was 6.9, or less than one-third of the number stolen in 2004, when an average of 24 vehicles were stolen every day.

The bulk of our success can be attributed to two initiatives: the Winnipeg Auto Theft Suppression Strategy (WATSS) and the immobilizer program.

Impact of Auto Theft Initiatives

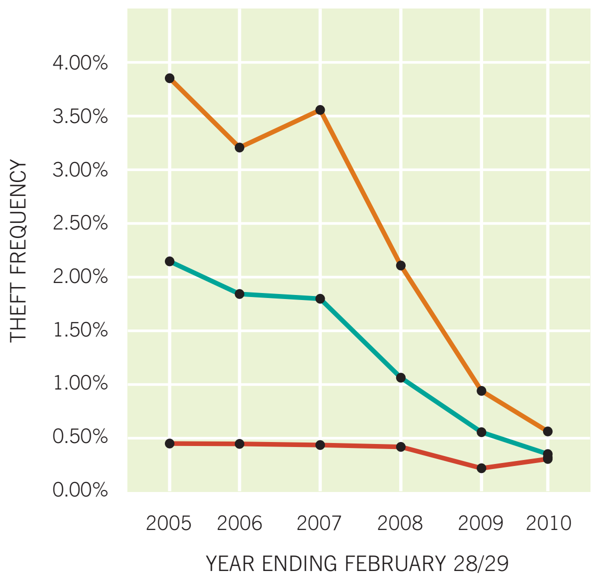
The real cost of auto theft in 2009 is more than $30 million less than had been forecasted in 2004, before WATSS and our immobilizer incentive program were implemented.

Claims costs for total and attempted theft continue to drop. In 2008, auto theft cost the Corporation roughly $22 million. In 2009, the cost of attempted and total theft claims reported by Manitobans fell to $18.4 million, reducing claims costs by a further $3.6 million. Other reductions include:

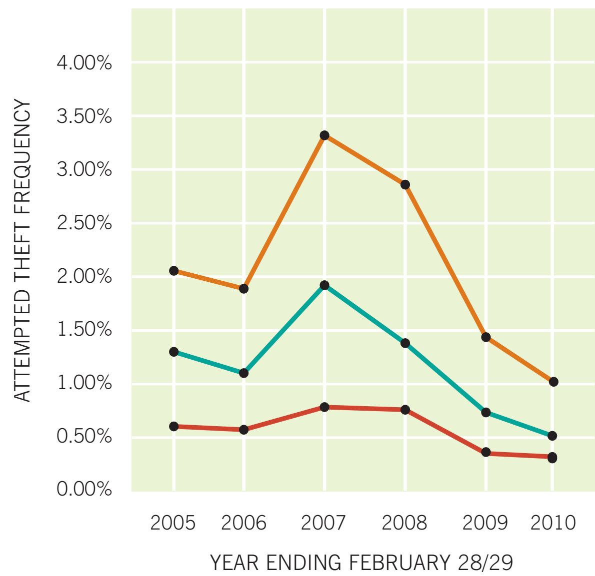
- Total theft claims costs declined $2.4 million or 15.2 per cent;
- Attempted theft claims costs declined by $1.2 million or 18.6 per cent.

Most importantly, our multi-pronged approach to auto theft is keeping more reckless, joyriding car thieves off of Manitoba roads, improving the safety and security of our communities.

TOTAL THEFT – WINNIPEG



ATTEMPTED THEFT – WINNIPEG



Total Theft MAR (Most-At-Risk) Total Non-Mar (Non-Most-At-Risk)

Special Investigation Unit

The Special Investigation Unit (SIU) is a key component of the Corporate loss prevention strategy. The SIU investigates suspicious claims which expose the Corporation to financial risk and fraud. Investigators with specialty expertise investigate claims which may arise due to arson, fraud, auto theft, organized criminal activity and other suspicious circumstances. The department works co-operatively with other departments within Manitoba Public Insurance, police agencies and the Crown attorney. In addition, the department works to continually refine policies and procedures to deter criminal activity and identify suspicious claims for recovery.

Claims Control Strategies

Our cost control measures with respect to claims management range from:

- Practitioner education and liaison;
- A team-based approach to managing bodily injury claims intended to assist individuals in achieving as full a recovery as possible;
- Use of after-market and recycled parts in vehicle repairs;
- Discounted pricing on windshield and tempered glass replacement; and
- Use of estimating compliance software to ensure consistency in the administration of estimating business rules, such as the application of betterment province-wide.

The savings from these initiatives are significant. For example, the use of aftermarket and recycled parts resulted in savings of almost $30 million. These savings are directly passed on to customers in the form of lower insurance premiums.

The Corporation also continues its practice of negotiating fee agreements with service providers including the Manitoba Chiropractors Association, the Manitoba branch of the Canadian Physiotherapy Association, the Manitoba Athletic Therapists' Association, and the Manitoba Medical Association. Fee agreements are also in place with the Manitoba Car and Truck Rental Association, the Manitoba Motor Dealers Association, and the Automotive Trades Association. The latter two serve to control labour, paint, and material costs on vehicle repairs.

Information Technology

The Corporation must ensure that its information systems are reliable and secure for the successful execution of its business processes. Systems must be updated to continually improve processes to meet our customers' expectations. The Corporation has established a Program Management Office to ensure that new systems are delivered efficiently.

The Corporation also carefully monitors the operational risks associated with information systems. These include:

- Risk associated with the non-availability of essential components;
- Risk of outside penetration of systems;
- Risk of loss of data integrity;
- Risk of unauthorized access to information.

The management of these risks is updated regularly to adapt to changing technologies and the needs of the Corporation and its customers.

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.

BASIC AUTOPAC RATES

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.

On December 4, 2009 the PUB released its ruling on Manitoba Public Insurance's rate application for the 2010/11 fiscal year. Effective March 1, 2010 overall Basic compulsory insurance premiums will remain unchanged. Average premiums will decrease by 0.2 per cent for owners of private passenger vehicles and 0.6 per cent for commercial vehicles. Motorcycles and public vehicles will experience an average increase of 5.7 per cent and 2.5 per cent respectively.

The main components and coverages of the Basic insurance plan will remain unchanged from the previous year with the exception of the implementation of the Driver Safety Rating program and the streamlined renewal process.

NET INCOME

Current projections indicate that the Corporation is expected to realize a modest profit during the 2010/11 fiscal year. Basic Autopac projections indicate a modest profit and SRE is expected to return a profit in 2010/11 after incurring a loss last year. Extension insurance is expected to be profitable and to contribute to DVA operating costs as key improvement initiatives continue. One-time, non-recurring project costs to enhance service and value to Manitobans will continue to be funded through the Extension Development Fund (EDF), which was created from excess retained earnings from competitive lines of business.

COST ALLOCATION

For companies that operate a line of business that is subject to rate regulation and also operate other non-regulated lines of business, cost allocation methodologies serve as the basis for the regulators to determine how costs are allocated to the regulated line of business.

For many years, Manitoba Public Insurance has allocated its operating expenses amongst the three insurance lines of business according to a cost allocation methodology that was vetted and approved by the PUB.

After the merger of Manitoba Public Insurance and DVL, both the Corporation and PUB agreed the approved methodology required reconsideration. To that end, the Corporation hired Deloitte to conduct a new cost allocation study, the results of which were approved by the Board of Directors in June 2009.

In its Order 161/09, the PUB found both the Deloitte cost allocation methodology report and the evidence of Deloitte's representative to be valuable and credible with respect to the development of a revised cost allocation formula for the Corporation. The PUB directed the Corporation to further its research into the proposed methodology for consideration at the 2011 GRA.
The upcoming application will incorporate the completed analysis, and the applied for rates will use the proposed new allocation basis.

The Corporation anticipates that expenses will be reduced for both Basic insurance and DVA operations, while Extension and SRE will experience an increase in allocated expenses.

FUTURE DVA OPERATIONS AND FUNDING

The Corporation has been responsible for administering the functions and activities specified in *The Drivers and Vehicles Act* (DVA) since 2004. At that time, the government began to provide funding in the amount of $21 million per year and committed to do so in perpetuity.

Given the effects of inflation, population growth, different accounting approaches and increased responsibilities, the base costs of the DVA administrative responsibilities have increased. The Corporation's improvement initiatives have served to mitigate these cost increases in addition to significantly improving service and value for motorists.

Beginning April 1, 2011 the government will increase its payments to Manitoba Public Insurance to $28 million per year. The Corporation expects that this will fully cover the costs of the DVA administrative operation and also allow for some annual contribution to repayment of the start-up costs for the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's Licence and Manitoba Identification Card.

One-time non-recurring project costs to enhance service and value to Manitobans will continue to be funded through the EDF, which was created from excess retained earnings from competitive lines of business.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 made considerable progress in the IFRS project to ensure a smooth transition to the new accounting standards. The following steps have been completed by the Corporation to date:

- Engaged an external consultant to prepare an IFRS high level diagnostic which was presented to senior management and the Board of Directors and disclosed to the Public Utilities Board (PUB);
- 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;
- Prepared papers on primary and secondary areas where differences were identified;
- Reviewed all papers with senior management, the Board of Directors and external auditors;
- Board of Directors approved all transition and ongoing policies;
- Elected to re-designate the Marketable Bonds from the current designation of Available for Sale to Fair Value Through Profit or Loss (formerly known as Held for Trading). The impact of the change in designation would be to transfer $24.16 million of unrealized gains from Accumulated Other Comprehensive Income (Note 15) to Retained Earnings; and
- Performed assessment of supporting software systems and made appropriate changes where necessary.

The Corporation has determined that the largest impact of the adoption of the new standards will be the re-designation of Marketable Bonds, as described above. The Corporation does not expect that the other changes required will have a material impact on future financial results.

THE CORPORATE SERVICE VISION

The Corporation is developing a new Corporate service vision and philosophy for Manitoba Public Insurance. This will further guide our staff and business partners as we work together to meet the evolving needs and expectations of our customers.

A phased implementation of our new Corporate service vision and philosophy is expected to result in the following key outcomes:

1. A Corporate culture of commitment to service excellence and innovation;
2. Alignment of a customer service promise with customer needs and expectations;
3. Alignment of customer service standards, service performance metrics and customer satisfaction ratings to customer expectations;
4. Employee growth and satisfaction;
5. Improved organizational effectiveness and operational efficiencies.

Success in this endeavour will mean a pervasive cultural change within the organization, enabled by significant leader and employee participation, and ultimately employee ownership.

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 is currently at its full complement of nine members. The President and Chief Executive Officer is an Ex-Officio Member of the Board and the Board Committees.

The Corporation has a comprehensive annual strategic planning process. The Board approves a five-year strategic plan. Flowing from that document are 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.

In 2005, the Corporation introduced an anonymous and confidential Whistleblower Hotline system for the receipt, retention and treatment of complaints about suspected fraud or financial mismanagement from employees. In 2006, the Corporation took steps to ensure it was fully compliant with the then-new *The Public Interest Disclosure (Whistleblower Protection) Act*.

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 administer the Hotline, receive complaints 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 discipline those responsible, not to discipline those who report such abuses.

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 Corporation 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 period March 1, 2009 to February 28, 2010. During this reporting period, the Corporation received two reports through the Whistleblower Hotline.

1. On August 21, 2009 a report was made through the Whistleblower Hotline to the Chair of the Audit Committee of the Board of Directors that, in their opinion, the Corporation's executive exceeded the financial authority given to it by the Board of Directors and purposefully tried to hide this from the Board of Directors. Upon receiving this report, external expert assistance was immediately retained to investigate. No evidence was found by the external expert investigator to suggest fraud or other irregularity had taken place. The findings also concluded that the Board was kept informed of the matters in question and management did not and was not attempting to conceal any information. The whistleblower was informed of the results of the investigation and the complaint concluded.
2. On October 9, 2009 a report was made alleging an employee was not appropriately recording time off – that the employee was indeed recording as worked days in which they had not been at the workplace or scheduled at a work related event. An investigation was conducted and revealed there was merit to the allegations. Discipline of the employee followed, including suspension without pay, and days were recovered from the employee's vacation balance. The whistleblower was informed of the results of the investigation and the complaint concluded.

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 alert 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.

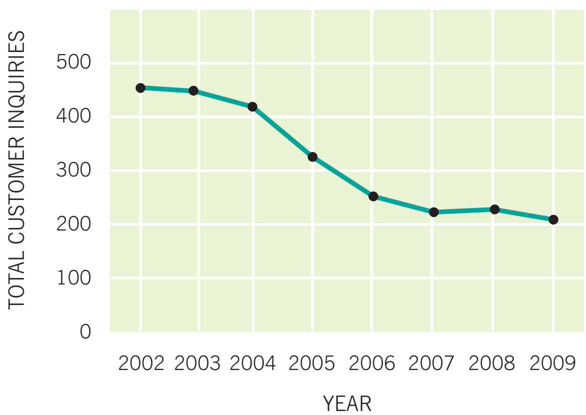
The number of inquiries handled by the FPO has declined in recent years. This year's total of 206, is down from last year's 227, and is indicative of a decreasing trend over the years. The Corporation continues to improve processes for handling escalating concerns and for identifying duplicate inquiries. As a result, we anticipate individual customer concerns will continue to be successfully resolved without the involvement of the FPO.

2009 Fair Practice Results

In the 2009/10 fiscal year, the FPO received 206 documented inquiries from the following referral sources:

Customer	67
Formal Ombudsman inquiries	26
Informal Ombudsman inquiries	92
Internal referrals	21

The FPO recommended the Corporation revise its decision in 24 situations, or about 12 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 2009, 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 Manitoba Sustainable Development Act (1997)*, the Corporation experienced two environmental incidents between March 1, 2009 and February 28, 2010. Both were diesel fuel spills at the Plessis Physical Damage Centre which were contained on the property and were remediated under the supervision of an environmental consultant.

The Corporation has a sustainable development program including policies and guidelines to reduce the environmental impact of the Corporation and its business partners. Highlights of this program are outlined as follows.

ENVIRONMENTAL TESTING

The Corporation undertakes environmental testing to ensure that environmental risks are detected and managed.

Environmental Testing	Results (2009-10)
New properties to identify environmental issues.	No testing occurred during the reporting period.
Well water quality at those sites where a well is used.	Testing showed bacterial contamination in one well which was successfully treated.
Runoff water and sediments for vehicle related contaminants.	Testing showed no or trace levels of metals, ethylene glycol, or hydrocarbons. All were within environmental thresholds.
Waste audits to evaluate recycling success and opportunities.	Results showed the continued trend of reductions in waste generation and improvement in the amount of material recycled.

FLEET VEHICLE MANAGEMENT

The Corporation's fleet of vehicles is largely comprised of newer hybrid vehicles and fuel efficient cars as well as E-85 capable vehicles. Average fuel efficiency for the regular fleet improved from 12.5 to 11.4 litres /100 km in the last year.

FACILITIES MANAGEMENT

The Corporation continues to apply sustainable practices in the construction and operation of its facilities including certifying building to accepted environmental standards.

- LEED (Leadership in Energy and Environmental Design) Silver Certification for New Construction: four in development
- BOMA (Building Owners and Managers Association) Go Green Plus Certification for Existing Buildings: four certified and three underway

The Corporation's three new Service Centres, all of which will open in 2010, will be located in areas with a high concentration of drivers, which will significantly reduce the distance that customers have to travel to access Manitoba Public Insurance services. Fewer kilometres driven equals a cleaner environment. We estimate a savings of 27,720 kilograms of greenhouse gases per year.

In older buildings, the Corporation pursues sustainable upgrades during lifecycle replacement or major renovations by adding features found in its newer buildings including:

Heating, Ventilating and Air Conditioning (HVAC)

- Digital control and integration of major HVAC components;
- High efficiency components (boilers, roof top units, heaters);
- Geothermal heat pumps that utilize ground temperature to heat and cool the building;
- Glycol heat recovery systems to reuse exhaust heat within the building;
- Variable speed motors in HVAC components to conserve electricity;
- Air quality sensors to control the amount of fresh air brought into the building;
- Under-floor heat distribution.

Electrical Conservation

- Design elements (reflective light shelves, clerestory windows, skylights in garages) make better use of natural light and reduce the need for artificial lighting;
- Sensor controlled lighting uses occupancy and natural light sensors to control light fixture output;
- Conversion of older incandescent lighting used in garages and outside buildings to more efficient compact fluorescent, T5 fluorescent, halogen lighting and LED exit lights;
- High efficiency hot water tanks;
- Temperature sensitive block heater plugs.

Water Conservation

- Low flow toilets and fixtures;
- Waterless urinals;
- Sensor controlled bathroom fixtures.

RECYCLING AND THE USE OF RECYCLED GOODS

The Corporation has programs to divert waste into reusable forms and promotes the use of materials with recycled content.

Results (2009-10)	Activity
24,915	Salvage vehicles were sold to automobile recyclers and the public to be rebuilt or used for replacement parts
16,573	Number of salvage vehicles from which freon was extracted (from the vehicle air conditioning system)
15,982	Litres of gasoline extracted from salvage vehicles and used for Corporate vehicles
	Materials are recycled including:
498	Electronic devices
194.3	Tonnes of paper and cardboard
0.3	Tonnes of plastic and metal containers
8.2	Tonnes of carpet
78	Building fixtures
20.2	Million sheets of 100 per cent recycled paper is used for printing and copying
93,567	Number of recycled parts used in claims repairs

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 3, 2010

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, 2010 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, 2010 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 3, 2010

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, 2010 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 3, 2010

Financial Statements

Statement of Operations

Years ended February 28		2010		2009 (restated)
Revenue		(in thousands of dollars)		
Premiums written	**$**	**906,229**	$	885,682
Premiums earned (Note 12)	**$**	**895,811**	$	865,056
Service fees and other revenue (Note 21)		**18,475**		20,411
The Drivers and Vehicles Act operations recovery (Note 22)		**20,995**		20,995
Total earned revenues		**935,281**		906,462
Claims Costs				
Claims incurred (Note 12)				
Current year		**653,278**		641,049
Prior years (Note 11)		**(39,080)**		(35,406)
		614,198		605,643
Claims expense		**97,448**		90,443
Loss prevention/Road safety		**24,868**		27,344
		736,514		723,430
Expenses				
Commissions		**72,382**		64,736
Operating		**104,363**		100,252
Premium taxes		**27,365**		26,348
Regulatory/Appeal		**3,995**		2,883
		208,105		194,219
Total claims and expenses		**944,619**		917,649
Underwriting income (loss)		**(9,338)**		(11,187)
Investment income (Note 14)		**96,282**		4,632
Net income (loss) from annual operations (Note 17)		**86,944**		(6,555)
Surplus distribution (Note 18)		**–**		54
Net income (loss) after surplus distribution	**$**	**86,944**	$	(6,501)

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

Balance Sheet

February 28	2010	2009 (restated)
Assets	(in thousands of dollars)	
Cash and investments (Note 5)	**$ 2,206,451**	$ 2,021,677
Due from other insurance companies	**10,656**	4,726
Accounts receivable	**289,711**	276,530
Prepaid expenses	**981**	2,432
Deferred policy acquisition costs	**43,143**	21,320
Reinsurers' share of unearned premiums	**11,853**	11,269
Reinsurers' share of unpaid claims (Note 11)	**59,489**	37,534
Property and equipment (Note 8)	**134,649**	42,888
Deferred development costs (Note 9)	**34,618**	15,761
	$ 2,791,551	$ 2,434,137
Liabilities		
Due to other insurance companies	**$ 23,386**	$ 15,817
Accounts payable and accrued liabilities	**49,482**	40,164
Unearned premiums	**449,554**	441,588
Provision for employee current benefits	**15,666**	14,515
Provision for employee future benefits (Note 10)	**226,834**	207,143
Provision for unpaid claims (Notes 11 and 16)	**1,628,528**	1,561,436
	2,393,450	2,280,663
Retained Earnings		
Basic Insurance Retained Earnings		
Rate Stabilization Reserve	**224,709**	134,915
Immobilizer Incentive Fund	**–**	2,021
	224,709	136,936
Competitive Lines Retained Earnings		
Retained Earnings	**85,389**	92,918
Extension Development Fund	**48,279**	41,579
	133,668	134,497
	358,377	271,433
Accumulated Other Comprehensive Income (Loss) (Note 15)	**39,724**	(117,959)
	$ 2,791,551	$ 2,434,137

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

Approved by the Board of Directors:

Jake Janzen
Chairperson

Kerry Bittner
Vice-Chairperson

Statement of Retained Earnings

Years ended February 28	2010	2009 (restated)
Basic Insurance	(in thousands of dollars)	
Rate Stabilization Reserve		
Balance beginning of year	**$ 134,915**	$ 127,122
Net income (loss) from annual operations after surplus distribution (Notes 17 and 18)	**87,773**	(8,111)
Transfer from Immobilizer Incentive Fund	**2,021**	15,904
Balance end of year	**224,709**	134,915
Immobilizer Incentive Fund		
Balance beginning of year	**2,021**	17,925
Transfer to Rate Stabilization Reserve	**(2,021)**	(15,904)
Balance end of year (Note 23)	**–**	2,021
Balance Basic Insurance Retained Earnings end of year	**224,709**	136,936
Competitive Lines		
Retained Earnings		
Balance beginning of year	**92,918**	103,739
Net income (loss) from annual operations (Note 17)	**(829)**	1,610
Net transfer to Extension Development Fund	**(6,700)**	(12,431)
Balance end of year	**85,389**	92,918
Extension Development Fund		
Balance beginning of year	**41,579**	29,148
Net transfer from Retained Earnings	**6,700**	12,431
Balance end of year (Note 24)	**48,279**	41,579
Balance Competitive Lines Retained Earnings end of year	**133,668**	134,497
Balance Retained Earnings end of year	**$ 358,377**	$ 271,433

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

Statement of Comprehensive Income (Loss)

Years ended February 28		2010		2009 (restated)
		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**86,944**	$	(6,501)
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on Available for Sale assets		**155,344**		(192,556)
Reclassification of net realized losses related to Available for Sale assets		**2,339**		51,429
Other Comprehensive Income (Loss) for the year		**157,683**		(141,127)
Total Comprehensive Income (Loss)	**$**	**244,627**	$	(147,628)

Statement of Accumulated Other Comprehensive Income (Loss)

Years ended February 28		2010		2009
		(in thousands of dollars)		
Balance beginning of year	**$**	**(117,959)**	$	23,168
Other Comprehensive Income (Loss) for the year		**157,683**		(141,127)
Balance end of year (Note 15)	**$**	**39,724**	$	(117,959)

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

Statement of Cash Flows

Years ended February 28		2010		2009 (restated)
Cash Flows from (to) Operating Activities:		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**86,944**	$	(6,501)
Non-cash items:				
Amortization of property and equipment		**7,283**		5,884
Amortization of bond discount and premium		**3,744**		3,731
(Gain) loss on sale of investments		**(3,598)**		20,277
Unrealized (gain) loss on Held for Trading bonds		**(14,575)**		5,533
Write-down of investments		**3,080**		24,619
		82,878		53,543
Net change in non-cash balances:				
Due from other insurance companies		**(5,930)**		(849)
Accounts receivable and prepaid expenses		**(11,730)**		(22,379)
Deferred policy acquisition costs		**(21,823)**		(9,810)
Reinsurers' share of unearned premiums and unpaid claims		**(22,539)**		13,672
Due to other insurance companies		**7,569**		(7,256)
Accounts payable and accrued liabilities		**9,318**		(65,119)
Unearned premiums		**7,966**		21,598
Provision for employee current benefits		**1,151**		470
Provision for employee future benefits		**19,691**		18,563
Provision for unpaid claims		**67,092**		48,811
		50,765		(2,299)
		133,643		51,244
Cash Flows from (to) Investing Activities:				
Acquisition of property and equipment net of proceeds from disposals		**(99,045)**		(16,120)
Purchase of investments		**(1,028,541)**		(987,024)
Proceeds from sale of investments		**834,866**		1,097,418
Deferred development costs incurred		**(18,856)**		(5,473)
		(311,576)		88,801
Increase (Decrease) in Cash and Short-Term Investments		**(177,933)**		140,045
Cash and short-term investments beginning of year		**270,822**		130,777
Cash and Short-Term Investments end of year (Note 5)	**$**	**92,889**	$	270,822

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

Notes to Financial Statements

February 28, 2010

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 16), 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 25).

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

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*.

The Corporation's directly held real estate investments are being amortized over their estimated useful life.

Under the provision of CICA Handbook Section 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.

Loans and Receivables

Accounts receivable and due from other insurance companies are designated as loans and receivables and 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 two per cent and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

Cash and Short-Term Investments

Cash and short-term investments are comprised of cash, current operating accounts, provincial short-term deposits and funds held in trust on behalf of other insurance companies and are designated as Available for Sale.

Due to Other Insurance Companies

Amounts due to other insurance companies are classified as Other Liabilities.

Accounts Payable and Accrued Liabilities

Amounts for accounts payable and accrued liabilities are classified as Other Liabilities.

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
Heating, ventilating and air conditioning (HVAC) systems	20 years
Land improvements	25 years
Roofing systems	30 years
Elevators and escalators	30 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 provide an economic return to the Corporation and meet the requirements of Section 3064 *Goodwill and Intangible Assets* of the CICA Handbook (Note 4) 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.

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

Provision for Unpaid Claims

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 estimated 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.

Service fees and other revenue are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations on the following basis:

i) Identifiable direct service fees and other revenue are allocated to each line of business.

ii) Where direct allocation is not possible, service fees and other revenue are prorated to each line of business based mainly on factors such as premiums written ratios, expense allocation ratios and investment income allocation ratios. The formulas developed for the allocation of service fees and other revenue are approved by the Board of Directors.

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 and *The Drivers and Vehicles Act* operations 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, time usage, premiums written ratios and claims incurred ratios. 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 claimants.

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 was an appropriation from the Basic Insurance Rate Stabilization Reserve. The fund was used to provide financial resources for vehicle owners to install electronic immobilizers and cover the administrative costs of the program. As the Immobilizer Incentive Fund has been completely depleted, programs costs incurred are being funded through normal operations.

Extension Development Fund

The Extension Development Fund (EDF) is an appropriation from the Competitive Lines Retained Earnings. The EDF 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.

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 is in the process of determining the full impact of the change to IFRS on the financial results.

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

Goodwill and Intangible Assets

Effective for fiscal years beginning on or after October 1, 2008 the Accounting Standards Board issued new CICA Handbook Section 3064 *Goodwill and Intangible Assets* which replaced Section 3062 *Goodwill and Other Intangible Assets* and Section 3450 *Research and Development Costs*, and made amendments to Section 1000 *Financial Statement Concepts*. The new Section 3064 and amendments to Section 1000 are effective for Manitoba Public Insurance's 2009/10 fiscal year.

The Transitional Provisions of Section 3064 require that intangible assets recognized prior to the fiscal year beginning on or after October 1, 2008 that do not meet the new recognition or measurement criteria are to be accounted for in accordance with Section 1506 *Accounting Changes*, which includes retroactive application resulting in a restatement of previously reported balances for the fiscal year ended February 28, 2009.

As a result of adopting the new standard requiring intangible assets to provide an economic return, the Extension Development Fund was decreased by $6,241,000 to $29,148,000 as at February 29, 2008 and by $11,605,000 to $41,579,000 as at February 28, 2009 (Note 24). Operating expenses were increased by $11,605,000, resulting in net income after surplus distribution being restated from $5,104,000 to a net loss of $6,501,000 for the year ended February 28, 2009 (Note 17). Deferred development costs were decreased by $17,846,000 to $15,761,000 as at February 28, 2009 (Note 9).

Financial Instruments – Disclosures

Effective March 1, 2009, the Corporation adopted the amendments of the CICA Handbook Section 3862 *Financial Instruments – Disclosures*. The amendment to Section 3862 has expanded disclosure requirements, which require all financial instruments measured at fair value be categorized into one of three levels of the hierarchy. The three levels are based on the transparency of the inputs used to measure the fair values of assets and liabilities as follows:

Level 1 - Unadjusted quoted market prices of identical instruments in active markets;

Level 2 - Inputs other than quoted market prices included in Level 1 that are observable for the asset, either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The classification in the hierarchy of a financial instrument is based on the lowest level of input that is significant to the measurement of fair value (Note 5).

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 $1,059,000 (2009 – $1,269,000).

Short-term investments have a total principal amount of $94,019,000 (2009 – $272,039,000) comprised of provincial short-term deposits with effective interest rates of 0.05 per cent (2009 – 0.50 to 0.65 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, 2010.

Cash and Investments

(in thousands of dollars) **2010**

	Financial Instruments				
	Classified as Available for Sale	**Classified as Held to Maturity**	**Classified as Held for Trading**	**Non-Financial Instruments**	**Total Carrying Value**
Cash and short-term investments	**$ 92,889**	**$ –**	**$ –**	**$ –**	**$ 92,889**
Bonds					
Federal	**6,741**	**–**	**367,448**	**–**	**374,189**
Manitoba:					
Provincial	**255,325**	**–**	**88,137**	**–**	**343,462**
Municipal	**50,590**	**23,598**	**10,233**	**–**	**84,421**
Hospitals	**12,901**	**–**	**–**	**–**	**12,901**
Schools	**–**	**425,182**	**–**	**–**	**425,182**
Other provinces:					
Provincial	**131,216**	**–**	**276,796**	**–**	**408,012**
Municipal	**–**	**–**	**12,461**	**–**	**12,461**
Corporations	**28,589**	**–**	**14,389**	**–**	**42,978**
	485,362	**448,780**	**769,464**	**–**	**1,703,606**
Other investments	**7,650**	**–**	**–**	**–**	**7,650**
Equity investments	**387,091**	**–**	**–**	**–**	**387,091**
Real estate	**–**	**–**	**–**	**15,215**	**15,215**
	394,741	**–**	**–**	**15,215**	**409,956**
	$ 972,992	**$ 448,780**	**$ 769,464**	**$ 15,215**	**$ 2,206,451**

(in thousands of dollars) 2009

	Financial Instruments				
	Classified as Available for Sale	**Classified as Held to Maturity**	**Classified as Held for Trading**	**Non-Financial Instruments**	**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 investments	7,327	–	–	–	7,327
Equity investments	271,135	–	–	–	271,135
Real estate	–	–	–	–	–
	278,462	–	–	–	278,462
	$ 1,384,313	$ 417,746	$ 219,618	$ –	$ 2,021,677

The following table presents the financial instruments measured at fair value, classified by the fair value hierarchy set out in Section 3862 as described in Note 4.

Assets measured at fair value

(in thousands of dollars)	2010			
	Level 1	Level 2	Level 3	Total
Held for Trading financial assets				
Bonds	$ 343,400	$ 426,064	$ –	$ 769,464
Available for Sale financial assets				
Cash and short–term investments	92,889	–	–	92,889
Bonds	21,515	450,576	13,271	485,362
Other investments	–	–	7,650	7,650
Equity investments	387,091	–	–	387,091
Total Available for Sale financial assets	501,495	450,576	20,921	972,992
Total assets measured at fair value	$ 844,895	$ 876,640	$ 20,921	$ 1,742,456

Fair value measurement for instruments included in Level 3

(in thousands of dollars)	2010		
	Available for Sale bonds	Available for Sale other	Total
Balance, March 1, 2009	$ 12,647	$ 7,327	$ 19,974
Total gains (losses)			
Included in net income	–	(991)	(991)
Included in other comprehensive income	624	733	1,357
Purchases	–	601	601
Sales	–	(20)	(20)
Balance, February 28, 2010	$ 13,271	$ 7,650	$ 20,921

6. Financial Risk Management

Investments carry certain financial risks including market risk, credit risk and liquidity risk. 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. 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. On February 1, 2010, the Corporation contracted to sell U.S. $65,300,000 at a forward rate of 1.06786 and purchase the same amount of U.S. dollars at the spot rate of 1.04720 on March 1, 2010.

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 - %	
	2010	2009
Federal	**2.77**	2.49
Provincial	**3.09**	3.62
Municipal	**4.36**	4.91
Hospitals	**3.48**	4.82
Schools	**5.91**	6.15
Corporations	**4.62**	4.79

As at February 28, 2010, 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 $93.8 million comprised of a change of $36.3 million in other comprehensive income and $57.5 million in net income.

Fluctuations in interest rates would 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, 2010, a 10 per cent change in the fair value of the Corporation's equity portfolio would result in a $38.7 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.

The following table summarizes the Corporation's maximum exposure to credit risk on the Balance Sheet. The maximum credit exposure is the carrying value of the asset net of any allowance for loss.

(in thousands of dollars)	**2010**	2009
Bonds	**$ 1,703,606**	$ 1,472,393
Due from other insurance companies	**10,656**	4,726
Accounts receivable	**289,711**	276,530
Reinsurance receivable	**49,289**	32,334
Maximum credit risk exposure on the balance sheet	**$ 2,053,262**	$ 1,785,983

FIXED INCOME SECURITIES CREDIT 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.

(in thousands of dollars)	**2010**		2009	
	Carrying Value	**Percentage of Portfolio**	Carrying Value	Percentage of Portfolio
Aaa	**$ 421,669**	**24.7%**	$ 238,314	16.2%
Aa	**1,244,625**	**73.1%**	1,176,834	79.9%
A	**24,411**	**1.4%**	22,762	1.5%
Baa	**–**	**–%**	5,798	0.4%
Not rated	**12,901**	**0.8%**	28,685	2.0%
Total	**$ 1,703,606**	**100.0%**	$ 1,472,393	100.0%

ACCOUNTS RECEIVABLE CREDIT 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)	2010	2009
Policy and time payments	$ 260,983	$ 250,412
Accrued interest	26,783	26,308
Subrogation and other receivables	12,493	12,502
Allowance for doubtful accounts	(10,548)	(12,692)
Total	$ 289,711	$ 276,530

Details of the allowance for doubtful accounts are as follows:

(in thousands of dollars)	2010	2009
Allowance for doubtful accounts, opening balance	$ 12,692	$ 13,658
Accounts written off	(1,827)	(680)
Current period provision	(317)	(286)
Allowance for doubtful accounts, closing balance	$ 10,548	$ 12,692

REINSURANCE RECEIVABLE CREDIT 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 $10.2 million (2009 – $5.2 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 & Poor's is in place.

For the 2010 calendar year, nine reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5 per cent to 35.0 per cent on any one layer. The reinsurer exposed to 35.0 per cent 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 2010 calendar year, 16 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 15 per cent of the reinsurance exposure on any one layer. The 2010 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 2009/10 and no allowance for doubtful accounts has been established as at February 28, 2010.

STRUCTURED SETTLEMENTS CREDIT RISK

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 $145.2 million (2009 – $142.6 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)	2010			
	Within One Year	**One Year to Five Years**	**After Five Years**	**Total Carrying Value**
Federal	**$ 10,095**	**$ 91,598**	**$ 272,496**	**$ 374,189**
Manitoba:				
Provincial	**14,648**	**49,222**	**279,592**	**343,462**
Municipal	**681**	**38,597**	**45,143**	**84,421**
Hospitals	**–**	**–**	**12,901**	**12,901**
Schools	**4,393**	**23,677**	**397,112**	**425,182**
Other provinces:				
Provincial	**7,229**	**188,760**	**212,023**	**408,012**
Municipal	**–**	**5,000**	**7,461**	**12,461**
Corporations	**–**	**5,039**	**37,939**	**42,978**
	$ 37,046	**$ 401,893**	**$ 1,264,667**	**$ 1,703,606**

(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

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 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.

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 RSR level is $185 million based on the 2009 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporation's internal actuary concluded that a minimum RSR level of $185 million would be required for Basic to achieve a satisfactory future financial condition. An RSR level lower than $185 million would result in a "not satisfactory" opinion because there were plausible adverse scenarios identified where liabilities exceed assets.

The Public Utilities Board of Manitoba by its Order 161/09 has established the Basic RSR target for rate-setting purposes to be $77 million to $154 million and includes the IIF for purposes of assessing RSR adequacy. The target is reflective of 10 per cent to 20 per cent of written premiums.

The Corporation's Board of Directors' current target level for Extension retained earnings is $35.0 million based on the 2009 Extension DCAT report. Based on this target the Corporation's internal actuary has concluded 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 based on the 2009 SRE DCAT report. The Corporation's internal actuary has concluded that, based on this target, the future financial condition of this line of business is satisfactory.

In the prior year, the Corporation used the Minimum Capital Test to assess the Corporation's financial risk and determine the capital adequacy of reserves held in retained earnings.

8. Property and Equipment

(in thousands of dollars)		2010		2009
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	$ 12,251	$ –	$ 12,251	$ 2,730
Land improvements	6,459	2,632	3,827	4,085
Buildings	87,315	15,316	71,999	14,407
Elevators and escalators	183	83	100	–
HVAC systems	147	13	134	–
Computer equipment	43,759	39,498	4,261	5,570
Vehicles	6,291	4,304	1,987	2,191
Furniture and equipment	16,878	13,027	3,851	4,437
Leasehold improvements	2,706	443	2,263	2,520
Construction in progress*	33,976	–	33,976	6,948
Total	$ 209,965	$ 75,316	$ 134,649	$ 42,888

* The Corporation is in the process of building new Service Centres in Winnipeg and Selkirk.

9. Deferred Development Costs

(in thousands of dollars)	2010	2009
Balance at beginning of year		
Gross carrying amount	**$ 48,225**	$ 51,074
Accumulated amortization	**(32,464)**	(34,503)
Net carrying amount	**15,761**	16,571
Restated balance at beginning of year		
Gross carrying amount	**–**	42,753
Accumulated amortization	**–**	(32,423)
Net carrying amount	**–**	10,330
Expenditures during the year	**18,857**	17,077
Change in accounting policy (Note 4)	**–**	(11,605)
Amortization expense during the year	**–**	(41)
Balance at end of year		
Gross carrying amount	**67,082**	48,225
Accumulated amortization	**(32,464)**	(32,464)
Net carrying amount	**$ 34,618**	$ 15,761

Net deferred development costs were decreased by $17,846,000 to $15,761,000 as at February 28, 2009 to reflect changes resulting from the adoption of Section 3064 of the CICA Handbook (Note 4).

10. 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, 2009, with the next scheduled actuarial valuation being December 31, 2010.

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 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2010	2009	**2010**	2009
Economic assumptions:				
Discount rate	**5.25%**	5.25%	**5.25%**	5.25%
Inflation rate	**2.00%**	2.00%	**–**	–
Expected salary increase	**2.90%**	2.90%	**–**	–
Expected health care cost increase	**–**	–	**7.00%**	7.00%

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2010	2009	**2010**	2009
Balance, beginning of year	**$ 171,402**	$ 155,725	**$ 35,741**	$ 32,855
Current service cost	**8,287**	7,346	**4,059**	3,911
Interest cost	**9,133**	8,464	**724**	661
Benefits paid	**(4,792)**	(5,436)	**(1,988)**	(2,079)
Actuarial valuation deficiency (redundancy)	**5,083**	5,303	**(815)**	393
Provision for employee future benefits	**$ 189,113**	$ 171,402	**$ 37,721**	$ 35,741
Employee contribution for the year	**$ 6,166**	$ 5,848	**$ –**	$ –

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	
	2010	2009	**2010**	2009
Plan expenses for the year:				
Current service cost	**$ 8,287**	$ 7,346	**$ 4,059**	$ 3,911
Interest cost	**9,133**	8,464	**724**	661
Actuarial valuation deficiency (redundancy)				
Pertaining to interest	**3,202**	3,341	**–**	–
Pertaining to expense	**1,881**	1,962	**(815)**	393
	$ 22,503	$ 21,113	**$ 3,968**	$ 4,965

11. 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)	2010		2009	
	Gross	**Reinsurers' Share**	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	**$ 1,481,548**	**$ 43,314**	$ 1,412,138	$ 31,884
Physical Damage	**143,021**	**16,175**	145,047	5,650
	1,624,569	**59,489**	1,557,185	37,534
Discontinued Operations				
Personal/Commercial	**3,959**	**–**	4,251	–
	$ 1,628,528	**$ 59,489**	$ 1,561,436	$ 37,534

The provision for unpaid claims is calculated as the present value of expected future payments plus actuarially determined provisions for adverse deviations, and is considered an indicator of fair value, as there is no organized market for the trading of insurance liabilities.

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

	2010	2009
Benefits	**Interest Rate Assumptions**	
Pre-PIPP Weekly Indemnity	**2.0% per year**	2.6% per year
PIPP other than death and impairment	**2.0% per year**	2.6% per year
All other coverages	**4.0% 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 $288.7 million (2009 – $276.7 million) comprised of a claims development component of $165.4 million (2009 – $166.6 million), an interest rate component of $121.0 million (2009 – $108.5 million) and a reinsurance component of $2.3 million (2009 – $1.6 million).

Net claims incurred and adjustment expenses include losses from catastrophes of $13.3 million in the current fiscal year (2009 – nil). 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, 2010 for prior years, are as follows:

(in thousands of dollars)	Accident Years				
	2009	2008	2007	2006 and Prior	Total
Net unpaid claims (valuation estimate as at February 28, 2009)	$ 309,385	$ 162,395	$ 165,093	$ 887,029	
Net payments for the year	135,150	24,408	12,958	46,709	
	174,235	137,987	152,135	840,320	
Net unpaid claims (revised valuation estimate as at February 28, 2010)	147,489	139,970	146,674	831,464	
(Redundancy) deficiency	$ (26,746)	$ 1,983	$ (5,461)	$ (8,856)	$ (39,080)
Prior years (redundancy) deficiency		$ (32,763)	$ (10,075)	$ 7,432	$ (35,406)

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2010 are a decrease of $0.3 million (2009 – decrease of $0.3 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

12. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2010, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (2009 – $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 $15.9 million (2009 – $13.3 million). These arrangements protect the Corporation against losses up to $266.7 million (2009 – $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)	2010	2009
Premiums earned	**$ 16,370**	$ 13,172
Claims incurred	**$ 33,480**	$ 1,126

13. 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
2011	$ 1,500
2012	$ 1,406
2013	$ 1,272
2014	$ 1,049
2015	$ 774
thereafter	$ 11,863

The Corporation has committed $7.9 million (2009 - $5.9 million) for the construction of new Service Centres.

14. Investment Income

(in thousands of dollars)	**2010**	2009
Interest from bonds	**$ 62,561**	$ 68,201
Gain (loss) on sale of Available for Sale bonds	**14,080**	8,754
Gain (loss) on sale of Held for Trading bonds	**2,862**	6,541
Unrealized gain (loss) on Held for Trading bonds	**14,575**	(5,533)
Dividends from equities	**9,580**	9,976
Gain (loss) on sale of equities	**(13,344)**	(35,572)
Gain (loss) on foreign exchange	**11,093**	(20,214)
Income from real estate investments	**670**	–
Write-down of investments	**(3,080)**	(24,619)
Investment management fees	**(2,715)**	(2,902)
Total	**$ 96,282**	$ 4,632

Income from real estate investments consists of gross income of $1,618,000 (2009 – nil) and expenses of $948,000 (2009 – nil).

Investment income is net of investment management fees paid to the Department of Finance in the amount of $2.7 million (2009 – $2.9 million). This includes $1.5 million (2009 – $1.7 million) of fees the Province paid to outside managers on the Corporation's behalf.

15. 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 28, 2009	Unrealized Gains (Losses) in 2009/2010	Realized (Gains) Losses transferred to Net Income in 2009/2010	AOCI at February 28, 2010
Canadian Equities	$ (91,536)	$ 91,546	$ 13,310	$ 13,320
U.S. Equities	(15,693)	15,063	2,123	1,493
Bonds and Other	(10,730)	48,735	(13,094)	24,911
	$ (117,959)	$ 155,344	$ 2,339	$ 39,724

16. 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 un-commuted 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 $0.5 million (2009 – $0.4 million) which is reported as part of the Special Risk Extension line of business (Note 17). Included in the provision for unpaid claims is $4.0 million (2009 – $4.3 million) relating to discontinued operations.

17. Net Income (Loss) From Annual Operations

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

(in thousands of dollars)	**2010**	2009 (restated)
Basic insurance	**$ 87,773**	$ (8,165)
Extension insurance	**(144)**	(13,289)
Special Risk Extension	**(685)**	14,899
	(829)	1,610
Net income (loss) from annual operations	**86,944**	(6,555)
Surplus distribution	**–**	54
Net income (loss) after surplus distribution	**$ 86,944**	$ (6,501)

Net income after surplus distribution was restated from $5,104,000 to a net loss of $6,501,000 for the year ended February 28, 2009 to reflect changes resulting from the adoption of Section 3064 of the CICA Handbook (Note 4).

18. 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 2008/2009 fiscal year when $62,646,000 was distributed to Basic policyholders, resulting in a difference of $54,000 compared to the original estimate.

As outlined in the Public Utilities Board ruling on December 2, 2008 on the Corporation's 2009/2010 Basic Insurance rate application, there was no surplus distribution in 2009/2010.

On December 4, 2009 the Public Utilities Board released its ruling on the Corporation's 2010/2011 Basic Insurance rate application. There is no surplus distribution in 2010/2011.

19. Fair Value Disclosure

The fair value of financial assets and liabilities, not otherwise disclosed in these financial statements, approximates their carrying value due to their short term to maturity.

20. 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 provide advisory services to the Corporation.

Costs incurred for services rendered are:

(in thousands of dollars)	2010	2009
KPMG LLP		
Audit fees	**$ 209**	$ 178
Regulatory related fees	**–**	14
Advisory fees	**41**	15
Total	**$ 250**	$ 207
Ernst & Young LLP		
Valuation of policy liabilities fees	**$ 104**	$ 95
Actuarial advisory fees	**23**	92
Total	**$ 127**	$ 187

21. Service Fees and Other Revenue

(in thousands of dollars)	2010	2009
Transaction fees	$ 6,547	$ 6,274
Time payment fees	2,319	2,245
Time payment interest	12,289	15,760
Late payment fees	1,091	1,232
Dishonoured payment fees	655	622
Identification Card/Enhanced Identification Card fees	350	20
Net rental income	2,040	–
Other miscellaneous revenue	1,129	1,215
Credit card and other service charges	(7,945)	(6,957)
Total	$ 18,475	$ 20,411

Net rental income includes gross rental income of $7,086,000 (2009 – nil) and gross rental expenses of $5,046,000 (2009 – nil).

22. *The Drivers and Vehicles Act* Operations Recovery

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

The Province of Manitoba provides funding to the Corporation in the amount of $21.0 million annually, into perpetuity, payable in equal monthly instalments of $1.75 million to defray the cost borne by the Corporation for *The Drivers and Vehicles Act* operations.

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)	2010	2009
Vehicle registration fees	$ 127,151	$ 118,056
Driver licensing fees	20,225	19,876
Total	$ 147,376	$ 137,932

23. Immobilizer Incentive Fund

Activity in the Immobilizer Incentive Fund includes:

(in thousands of dollars)	2010	2009
Balance beginning of year	$ 2,021	$ 17,925
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs	(2,021)	(15,904)
Balance end of year	$ –	$ 2,021

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 the "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. As the Immobilizer Incentive Fund has been completely depleted, programs costs incurred are being funded through normal operations.

24. Extension Development Fund

The Board of Directors approved that the Competitive Lines retained earnings in excess of the most recent year's target be appropriated into the Extension Development Fund (EDF) for the fiscal years up to February 28, 2009. The EDF 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.

Activity in the EDF includes:

(in thousands of dollars)	2010	2009 (restated)
Balance beginning of year	**$ 41,579**	$ 29,148
Transfer from Competitive Lines Retained Earnings	**20,917**	31,739
Transfer to Competitive Lines Retained Earnings	**(14,217)**	(19,308)
Balance end of year	**$ 48,279**	$ 41,579

The Extension Development Fund was decreased by $6,241,000 to $29,148,000 as at February 29, 2008 and by $11,605,000 to $41,579,000 as at February 28, 2009 to reflect changes resulting from the adoption of Section 3064 of the CICA Handbook (Note 4).

25. 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 the 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.

26. 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
Head office and Special Risk Extension

Winnipeg
Box 6300
R3C 4A4

Customer Service

Winnipeg
Tel: 985-7000

Outside Winnipeg
(Toll-free)
Tel: 1-800-665-2410

Deaf Access TTY/TDD
Tel: 985-8832

Out-of-Province Claims
Tel: 1-800-661-6051

Service Locations

WINNIPEG

Service Centres

1284 Main Street
R2W 3T3

1103 Pacific Avenue
R3E 1G7

930 St. Mary's Road
R2M 4A8

420 Pembina Highway
R3L 2E9

125 King Edward Street East
R3H 0V9

Driver and Vehicle Licensing Centre
Main Floor
234 Donald Street
R3C 4A4

1006 Nairn Avenue
R2L 0Y2

Enhanced ID Centre
1745 Ellice Avenue

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

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

Bodily Injury and MedEx Centre
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/ Receiving
Tel: 985-7766

Salvage
Tel: 985-7844

Commercial Claims
Tel: 985-7877

ARBORG

Service Centre
323 Sunset Boulevard
Box 418
R0C 0A0

BEAUSEJOUR

Service Centre
848 Park Avenue
Box 100A
R0E 0C0

BRANDON

Service Centre
731-1st Street
R7A 6C3
Includes:
Enhanced ID Centre

DAUPHIN

Service Centre
217 Industrial Road
Box 3000
R7N 2V5

FLIN FLON

Claim Centre
8 Timber Lane
Box 250
R8A 1M9

PORTAGE LA PRAIRIE

Claim Centre
2007 Saskatchewan Avenue West
Box 1150
R1N 3J9

Driver and Vehicle Licensing Centre
Provincial Building
25 Tupper Street North
R1N 3K1

SELKIRK

Claim Centre
630 Sophia Street
R1A 2K1

STEINBACH

Claim Centre
91 North Front Drive
Box 2139
R5G 1N7

Steinbach Service Centre
Clearspring Mall 2
PTH 12
R5G 1T7
Includes:
Injury Claim Services
Enhanced ID Centre

SWAN RIVER

Claim Centre
125-4th Avenue North
Box 1959
R0L 1Z0

THE PAS

Claim Centre
424 Fischer Avenue
Box 9100
R9A 1R5
Includes:
Driver and Vehicle Licensing

THOMPSON

Service Centre
53 Commercial Place
Box 760
R8N 1N5
Includes:
Driver and Vehicle Licensing
Enhanced ID Centre

WINKLER

Service Centre
355 Boundary Trail
Box 1990
R6W 4B7
Includes:
Driver and Vehicle Licensing
Enhanced ID Centre

value

Manitoba Public Insurance

www.mpi.mb.ca

Mixed Sources
TO BE REPLACED WHEN SENT TO PRINTER
© 1996 Forest Stewardship Council

TO BE REPLACED WHEN SENT TO PRINTER