2011 ANNUAL REPORT

Manitoba Public Insurance

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*.

This annual report is available in French at **mpi.mb.ca**

Le rapport annuel est disponible en français sur le site Web **mpi.mb.ca**

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Manitoba Public Insurance delivers value to Manitobans through an optimum combination of price, coverage, service and access. It's what we call our **VALUE EQUATION.**

LETTERS OF TRANSMITTAL

June 1, 2012

Honourable Andrew Swan
Minister Responsible for Manitoba Public Insurance
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 29, 2012.

Respectfully submitted,

Jake Janzen
Chairperson of the Board

Manitoba
Public Insurance

June 1, 2012

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 29, 2012.

Respectfully submitted,

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

Manitoba

2011 YEAR-END SUMMARY

The following are 2011/12 fiscal year totals, covering the period March 1, 2011 to February 29, 2012.

DOLLARS AND CENTS

Approximate value of Autopac claims paid per working day	$2.4 million
Total Autopac claims paid for injury and property damage occurring in 2011/12, respectively (before expenses)	$138.2 million and $458.4 million
Amounts paid by Manitoba Public Insurance to Manitoba medical practitioners on behalf of customers	$29.6 million
Commissions paid by Manitoba Public Insurance to independent insurance brokers for product sales	$77.0 million
Grants-in-lieu of taxes paid to Manitoba municipalities by Manitoba Public Insurance	$1.8 million
Provincial premium taxes paid by Manitoba Public Insurance	$18.8 million
Dollars invested in road safety programs	$15.8 million
Estimated savings to policyholders through use of recycled parts	$15.3 million
Estimated direct savings to policyholders through subrogation	$15.7 million

SIGNIFICANT NUMBERS

Average number of Autopac claims reported to Manitoba Public Insurance per working day	1,109
Total Autopac claims reported	277,198
Bodily injury claims reported	16,595
Property damage claims reported	260,603
Total theft claims reported in Winnipeg	1,587
Total theft claims reported elsewhere in province	745
Number of Autopac policies in force (average)	1,012,922

CORPORATE FIVE YEAR STATISTICS	**2011/12**	2010/11	2009/10	2008/09	2007/08
Premiums Written ($000)	**959,540**	929,724	906,229	885,682	842,053
Claims Incurred ($000)	**701,850**	418,411	614,198	605,643	618,399
Number of Claims	**277,201**	275,763	267,611	254,856	280,319
Average Cost per Claim ($)	**2,532**	1,517	2,295	2,376	2,206
Claim Expenses ($000)	**132,325**	110,857	97,448	90,443	84,505
Other Expenses ($000)	**238,347**	236,104	232,973	221,563	194,879
Net Income (Loss) ($000)	**37,423**	292,516	86,944	(6,555)	97,440
Net Income (Loss) After Surplus Distribution ($000)	**23,303**	(29,162)	86,944	(6,501)	34,875
Investments At Year-End ($000)	**2,254,732**	2,420,738	2,207,582	2,022,893	2,181,838
Total Assets ($000)	**2,787,210**	2,992,030	2,791,551	2,434,137	2,570,939

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BOARD OF DIRECTORS

SEATED (LEFT TO RIGHT)

Kerry Bittner, *Vice-Chairperson*
Jake Janzen, *Chairperson*
Manisha Pandya

STANDING (LEFT TO RIGHT)

Marilyn McLaren, *Ex-Officio*
Debbie Mintz
Ed Arndt
Mary Johnson
Annette Maloney
Dale Paterson

MESSAGE FROM THE **CHAIRPERSON**

Forty years ago, Manitoba Public Insurance was established to provide all Manitobans with guaranteed access to mandatory automobile insurance. The founding principles included providing rates lower than charged by private insurers for comparable coverage, being financially self-sufficient and operating at a financial breakeven level, providing ease in claims procedures, and pursuing road safety and loss prevention programs. These principles translate into what we call our value equation, where price + coverage + service + access add up to value for all Manitobans.

Four decades later, our founding principles remain solid as the Corporation evolves its business to meet the changing needs and expectations of Manitobans.

Last year, 87 cents on every dollar was returned back to Manitobans in the form of claims benefits – significantly higher than the industry average.

We also continued with our record of rate stability by holding the line or reducing rates for 13 of the last 14 years. For the coming insurance year, the Public Utilities Board approved an eight per cent decrease in premium rates. In fact, a recent price comparison clearly shows that our public auto insurance system provides excellent value:

- A 35-year-old couple, each with no claims or convictions for 15 years, driving a 2010 Dodge Grand Caravan SE, can expect to pay rates eight per cent higher in Regina than in Winnipeg. In Calgary, those rates would be 44 per cent higher and in Toronto they would be 343 per cent higher.

It's the same story for most drivers and it demonstrates that comparable comprehensive auto insurance costs less in Manitoba than almost anywhere else in Canada. Our rates are among the lowest in the country and we regularly outperform private insurance companies in the ratio of claims benefits paid to premium revenue collected. The Corporation's use of investment income to supplement premium revenue, our break-even financial mandate and our comparatively low administrative expense ratio have enabled us to pay out a high percentage of premium revenue in the form of claims benefits.

Year after year, Manitobans have told us that they would choose the most complete coverage over the lowest price. Our public auto insurance system has successfully and consistently provided both.

I would like to recognize the commitment of my colleagues on the Board of Directors and commend the executive team, management and employees of Manitoba Public Insurance who are constantly examining opportunities to enhance the value that public auto insurance provides. We have faithfully served Manitobans for the past 40 years and, working together, we will continue to fulfill our mandate of reducing risk on the road.

JAKE JANZEN
Chairperson of the Board

EXECUTIVES

SEATED (LEFT TO RIGHT)

Kathy Kalinowsky
General Counsel and Corporate Secretary

Dan Guimond
Vice-President,
Strategy and Innovation and
Chief Information Officer

Heather Reichert
Vice-President,
Finance and Chief Financial Officer

STANDING (LEFT TO RIGHT)

Marilyn McLaren
President and Chief Executive Officer

Christine Martin
Vice-President,
Service Operations

Ted Hlynsky
Vice-President,
Claims Control and Safety Operations

MaryAnn Kempe
Vice-President,
Community and Corporate Relations

MESSAGE FROM THE **PRESIDENT**

Manitoba Public Insurance has been a vital part of the provincial landscape since 1971, when public automobile insurance replaced a system that was seen as expensive, inadequate and confusing to the public.

During these 40 years, results have shown that the public auto insurance system clearly works for the benefit of all Manitobans. Within the context of our Value Equation, Manitoba Public Insurance provides guaranteed access to high-quality coverage at an affordable price – without prejudice towards age, gender or other arbitrary factors – and excellent service when and where you need it.

Independent information shows that Manitobans pay among the lowest auto insurance rates in the country, and the injury coverage guaranteed through *The Manitoba Public Insurance Corporation Act* is among the broadest and most comprehensive. The Personal Injury Protection Plan (PIPP) ensures that Manitobans are compensated adequately, fairly and promptly for economic losses from automobile collisions anywhere in Canada and the United States. Last year, PIPP benefits were increased to provide even greater coverage for those who need it most.

While our coverage remains among the best in Canada, the global financial climate and the unpredictability of weather patterns is such that cost restraint is imperative. The Corporation will continue to exercise due fiscal restraint to ensure all expenditures are appropriate and necessary.

And as always, service remains a top priority. Last year, the Corporation continued the transition of Claim Centres into Service Centres, providing a wider range of services under one roof. Thanks in large part to the strength of our employees and business partners, including our strong broker network, 80 per cent of our customers told us they've had a positive experience when dealing with Manitoba Public Insurance. We firmly believe that customer satisfaction must be earned every single day and, as a result, we are continually listening to Manitobans to learn how we can better serve their needs – both now and in the future.

Last year, we held public consultations where Manitobans were invited to share their views on the Corporation's role in the area of road safety. The results were grounded in a clear understanding of the connection between claims costs and rates, and showed strong support for our involvement in promoting road safety.

However, we understand that the needs of Manitobans are constantly evolving and we continue to look for ways to enhance our service, to be more innovative and efficient, and to stay at the forefront of the industry.

For four decades, Manitobans have relied on Manitoba Public Insurance to provide quality automobile insurance coverage and, as we move forward, we will continue to deliver value through the best possible combination of price, coverage, service and access.

MARILYN MCLAREN
President and Chief Executive Officer

FOUR DECADES

OF REDUCING RISK ON THE ROAD

1971 — OPENED FOR BUSINESS

1972 — FIRST PERMANENT CLAIM CENTRES ESTABLISHED

1979 — DIAL-A-CLAIM INTRODUCED

DIAL-a-CLAIM

1983 — NON-DISCRIMINATORY RATES INTRODUCED

1987 — ASSUMED RESPONSIBILITY FOR HIGH SCHOOL DRIVER EDUCATION PROGRAM

1988 — FIRST MERIT DISCOUNT PROGRAM INTRODUCED

1994 — PERSONAL INJURY PROTECTION PLAN INTRODUCED

Public automobile insurance was introduced in Manitoba after extensive public hearings found the existing private system to be inadequate, expensive and confusing.

The Manitoba Public Insurance Corporation officially opened for business in 1971 and for the past 40 years has undergone constant and meaningful change to continually improve and enhance service and value for Manitobans.

Created to deliver guaranteed access to mandatory insurance and to offer additional coverage in competition with others, the goals of the Corporation were to:

- offer protection at a lower price than that charged by private insurance companies for comparable coverage
- be financially self-sufficient
- return 85 per cent of premium revenue in the form of claims benefits
- operate at a financial break-even level over the long term
- minimize inconvenience in claims service
- promote road safety
- encourage investment of insurance capital in Manitoba

From 1971 until now, the Corporation has delivered on these goals and we have been successful, in large part, because we have never lost sight of these founding principles. As we drive forward, we will remain focused and will continue to ensure that Manitoba Public Insurance remains relevant to the citizens of this province and that the combination of price, coverage, service and access continues to equal value for all Manitobans.

1995

AUTOPAC ON-LINE INTRODUCED

1998

TIPS LINE INTRODUCED TO COMBAT FRAUD

2004

MERGER WITH DIVISION OF DRIVER AND VEHICLE LICENSING

2006

WINKLER CLAIM CENTRE BECOMES TEST SITE FOR NEW FULL SERVICE CENTRE MODEL

DRIVER LICENSING SERVICES EXPANDED

2009

DRIVER SAFETY RATING INTRODUCED

MULTI-YEAR RENEWALS AND ONE-PIECE LICENCES INTRODUCED

2010

IMPROVED SERVICES RELATED TO DRIVER EDUCATION REGISTRATION, DRIVER TESTING, VEHICLE SAFETY AND INSPECTION AND GLASS CLAIMS

40 YEARS REDUCING RISK ON THE ROAD

VALUING WHAT MATTERS

Manitoba Public Insurance delivers value to Manitobans through an optimum combination of price, coverage, service and access. It's what we call our Value Equation.

We continually seek ways to enhance the value of the equation through ongoing dialogue with Manitobans.

Our surveys show that Manitobans believe value is about more than price. Given a choice, 74 per cent of our customers say they would choose the most complete coverage over the lowest cost insurance. We are proud to provide both.

HERE’S HOW

PRICE
AFFORDABLE INSURANCE

Our rates are consistently among the lowest and most stable in Canada. For example, a 21-year-old male with a clean driving record living in Ontario would pay almost eight times the rate he would here in Manitoba, and in Alberta he would pay 2.5 times more.

Since 1994, the cost of auto insurance for Manitobans has grown at a consistently lower rate than the national average, ensuring premiums remain reliable and affordable. While Manitoba’s rates have increased 1.9 per cent per year, the national average has grown at 4.6 per cent per year – 2.4 times higher than in Manitoba.

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COVERAGE
COMPREHENSIVE PROTECTION AGAINST THE COST OF COLLISIONS

The majority of Manitobans want complete coverage and that’s what we’re delivering. The Personal Injury Protection Plan (PIPP) provides fair and timely access to high-quality benefits for all Manitobans injured in a motor vehicle collision anywhere in Canada and the United States. Even if you don’t drive or own a vehicle, you qualify for comprehensive bodily injury insurance just because you live in this province. And for those who need vehicle repairs following a collision, we work with industry partners to ensure we remain a leader in service, repair quality and cost containment.

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SERVICE
SERVICE WHERE AND WHEN YOU NEED IT

We strive to be easy to reach. Our toll-free contact centre is open six days a week, a range of services are available through more than 300 Autopac agents across the province, and our Service Centre model provides the convenience of a full range of services at one location.

It all adds up to quality service, and 92 per cent of Manitobans who completed an Autopac or driver’s licence transaction at either an Autopac agent or Service Centre said they are satisfied with the service they received.

Although that’s a high level of customer satisfaction, we are not resting on our laurels. We recognize that our customers’ needs and expectations continuously change and we pride ourselves on constantly evolving to deliver high levels of service and value that meet those needs.

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ACCESS
EASILY ATTAINABLE COVERAGE AND SERVICES THAT DO NOT DISCRIMINATE

Manitoba Public Insurance was founded on the principle of universal access to mandatory auto insurance.

Rates are based, in part, on an individual’s driving behaviour. That’s why the Driver Safety Rating recognizes safe driver behaviour in a fair and simple way – safe driving behaviour yields more savings, while higher-risk driving behaviour brings higher premiums. Drivers are not discriminated against on the basis of age, gender, marital status or other arbitrary factors, making affordable, comprehensive auto insurance within reach of all Manitobans.

Currently, 90 per cent of Manitobans live within an hour of a Service or Claim Centre.

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VALUE FOR ALL MANITOBANS.

VISION REALIZED

THROUGH ENHANCED CUSTOMER SERVICE AND VALUE

When the provincial government's Division of Driver and Vehicle Licensing merged with Manitoba Public Insurance in 2004, three key objectives were set – to improve customer service, to save costs and become more efficient by reducing overlap and duplication, and to create a new model to meet the licensing, registration and insurance needs of Manitobans.

In order to maximize the opportunities presented by the merger, the Corporation established the Extension Development Fund, which appropriated excess retained earnings from the competitive lines of business to defray the costs of improvement initiatives.

Through the integration of driver licensing, vehicle registration, driver insurance and vehicle insurance, Manitoba Public Insurance was able to develop a holistic view of our customers and their vehicles. This enabled us to provide products and services that are responsive and relevant to the changing needs of our communities. It also led to the refinement of our customer-centric model, allowing us to serve Manitobans where and when they need us and reduce unnecessary or lower-value interactions.

Since 2004, we've been continuously working on initiatives that have been made possible by the merger and can now say we've fully realized our long-term vision. Following is a summary of those initiatives:

LONG-TERM VISION INITIATIVES

SERVICE CENTRE DELIVERY MODEL

The conversion of Claim Centres into full Service Centres allows a full range of products and services to be offered in one convenient location, often with extended hours on evenings and Saturdays. One-stop convenience was also added to driver testing.

VEHICLE REGISTRATION, INSURANCE AND DRIVER LICENSING

Manitobans can now renew their driver's licence and insurance at once as well as benefit from multi-year, streamlined licence and policy renewals, reducing the time spent at an Autopac agent.

DRIVER SAFETY RATING

Manitobans believe that safe driving should be recognized through lower Autopac premiums, and a large majority of Manitoba drivers told us it is important to consider a person's driving history when determining individual insurance rates. The Driver Safety Rating program was developed with that in mind. Introduced in 2010, it recognizes safe driving behaviour in a fair and simple way. It offers stronger financial incentives to drive safely, is easy to understand and provides a direct link between driving behaviour and driver licence and Autopac premiums.

IDENTIFICATION CARDS

The 2009 introduction of the Enhanced Identification Card and the Enhanced Driver's Licence ensures ease and affordability to cross the U.S. border by water or land, while the Manitoba Identification Card provides secure and widely-recognized photo identification. A one-piece driver's licence was also introduced that year.

DRIVER EDUCATION

Registration for the Driver Education program, previously only conducted at high schools, is now available at Autopac agents throughout the province. Further convenience was added as Manitobans are also now able to purchase and book a road or knowledge test at any Autopac agent or Service Centre.

The merger with the Division of Driver and Vehicle Licensing brought together all aspects of the driving experience from driver education and testing to acquiring a licence, and insuring and registering a vehicle. This has enabled the Corporation to better align and improve its road safety efforts for all drivers and focus on maximizing ways to further improve safety in the future.

The merger between Manitoba Public Insurance and the Division of Driver and Vehicle Licensing presented many opportunities to enhance value for all Manitobans. We have maximized those opportunities and the results are benefiting Manitobans through the optimum combination of price, coverage, service and access that makes the Manitoba auto insurance system one of the best values in Canada.

ROAD SAFETY

SAFER ROADS, SAVING LIVES AND PREVENTING INJURIES

Road safety is an issue that matters a great deal to Manitobans. Safer roads mean fewer collisions, fatalities and injuries and lower auto insurance rates – goals we can all agree on.

Last year, Manitobans were invited to share their views on the Corporation's role in the area of road safety. Approximately 1,100 responses were received, providing valuable insight.

Manitobans shared their thoughts through an online survey, written comments and in-person conversations with Manitoba Public Insurance staff at shopping malls across the province. The Corporation's executive also met with representatives from 16 stakeholder groups. The findings were compiled in a report on road safety, which is available on our website at **mpi.mb.ca/RoadSafetyConsultation/indexresults.html**

There was strong recognition that Manitoba Public Insurance has unique insight into road safety issues, given our experience and knowledge of drivers and their related claims and road safety behaviour. Results show that nine out of 10 people agree that Manitoba Public Insurance should be involved in promoting road safety and eight out of 10 people believe the Corporation should play a lead role in this regard.

This demonstrates that there is clear support for a broader role for Manitoba Public Insurance. Road safety is an issue that matters a great deal to the public and to the many stakeholders and expert groups in the province.

Support from citizens for Manitoba Public Insurance's actions seems grounded in a clear understanding of the linkages between claims costs and rates. It has been and remains important to us to align our activities and programs with public expectations and to build public awareness and understanding for emerging approaches that can reduce risk on the road.

With respect to the many stakeholder groups, the Corporation is gratified by their overwhelming call for Manitoba Public Insurance to lead and coordinate road safety efforts in the province, and to collaboratively develop a comprehensive road safety strategy.

Going forward, we are committed to working with stakeholders to redefine a clear road safety role and mandate.

REDUCING RISK
ON THE ROAD

True to our mission of working with Manitobans to reduce risk on the road, we launched several new safety initiatives last year, and some of our long-term programs celebrated significant milestones.

- *To combat the use of hand-operated electronic devices, including cell phones, we provided $120,000 in funding to Winnipeg Police Service, RCMP and Brandon Police Service to conduct dedicated enforcement.*
- *We launched a province-wide campaign to raise awareness about the likelihood of wildlife collisions, and we partnered with the City of Winnipeg and Winnipeg Police Service on a pilot project to warn drivers of wildlife dangers in high-risk city areas. The Corporation also provides province-wide maps on our website identifying high-risk areas.*
- *Recognizing an increasing trend for Manitobans to use cycling as a form of transportation and recreation, we worked with cycling advocates and the City of Winnipeg to promote safe cycling and raise both driver and cyclist awareness of their respective rights when sharing the road.*
- *Two new programs targeting young drivers were also launched. More than 16,000 Manitoba teens attended sessions of the Friends for Life speaker series, where they heard first-person accounts of the real-life physical devastation and emotional trauma caused by drinking and driving. Our Rethink Road Safety video contest invited 16-25 year-olds to create videos showing the dangers of impaired driving, speeding, aggressive driving or distracted driving.*
- *In response to concerns from the Manitoba Association of School Superintendents, we launched a pilot project to encourage safety in school zones by raising awareness among parents of speeding and traffic congestion near schools.*
- *The 60-Second Driver, a popular television series, celebrated 10 years of broadcasting safe-driving tips. And school safety patrols celebrated 75 years of helping kids travel safely to and from school.*

Road Safety is one of three inextricably linked key business elements currently being examined to determine a new business vision that capitalizes on new technology, business practices and opportunities. Through awareness programs and enforcement, Manitoba Public Insurance is continuously working towards achieving our mission of reducing risk on Manitoba roadways.

IMPROVEMENTS TO THE DRIVER SAFETY RATING PROGRAM

MERITS FOR SAFE DRIVING

+15
+14
+13
+12
+11
+10
+9
+8
+7
+6
+5
+4
+3
+2
+1
0 (BASE)
-1
-2
-3
-4
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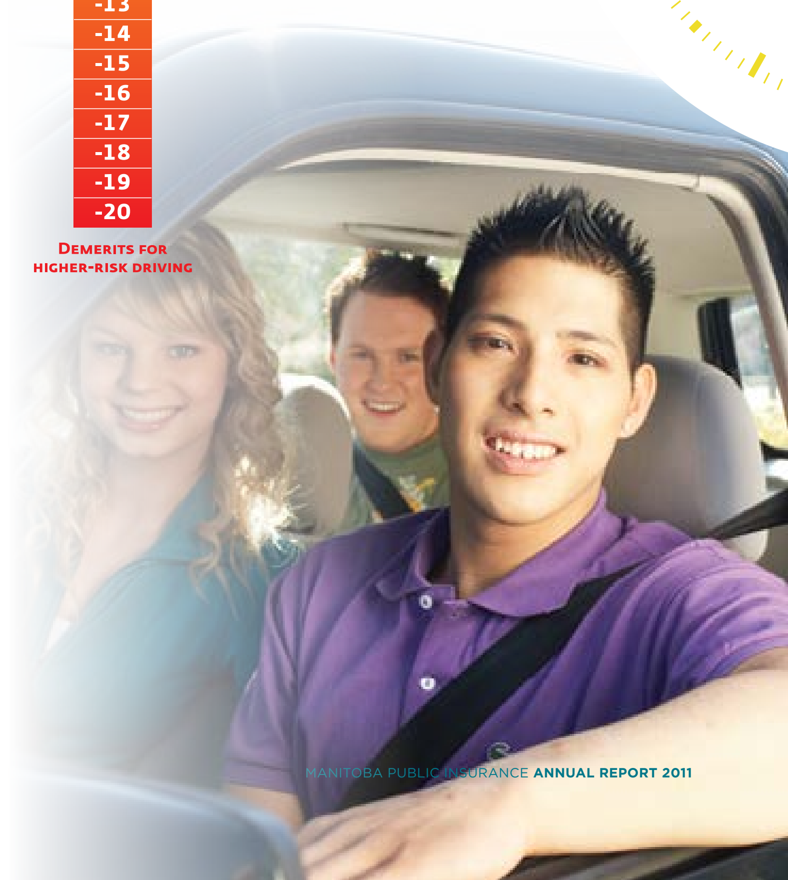
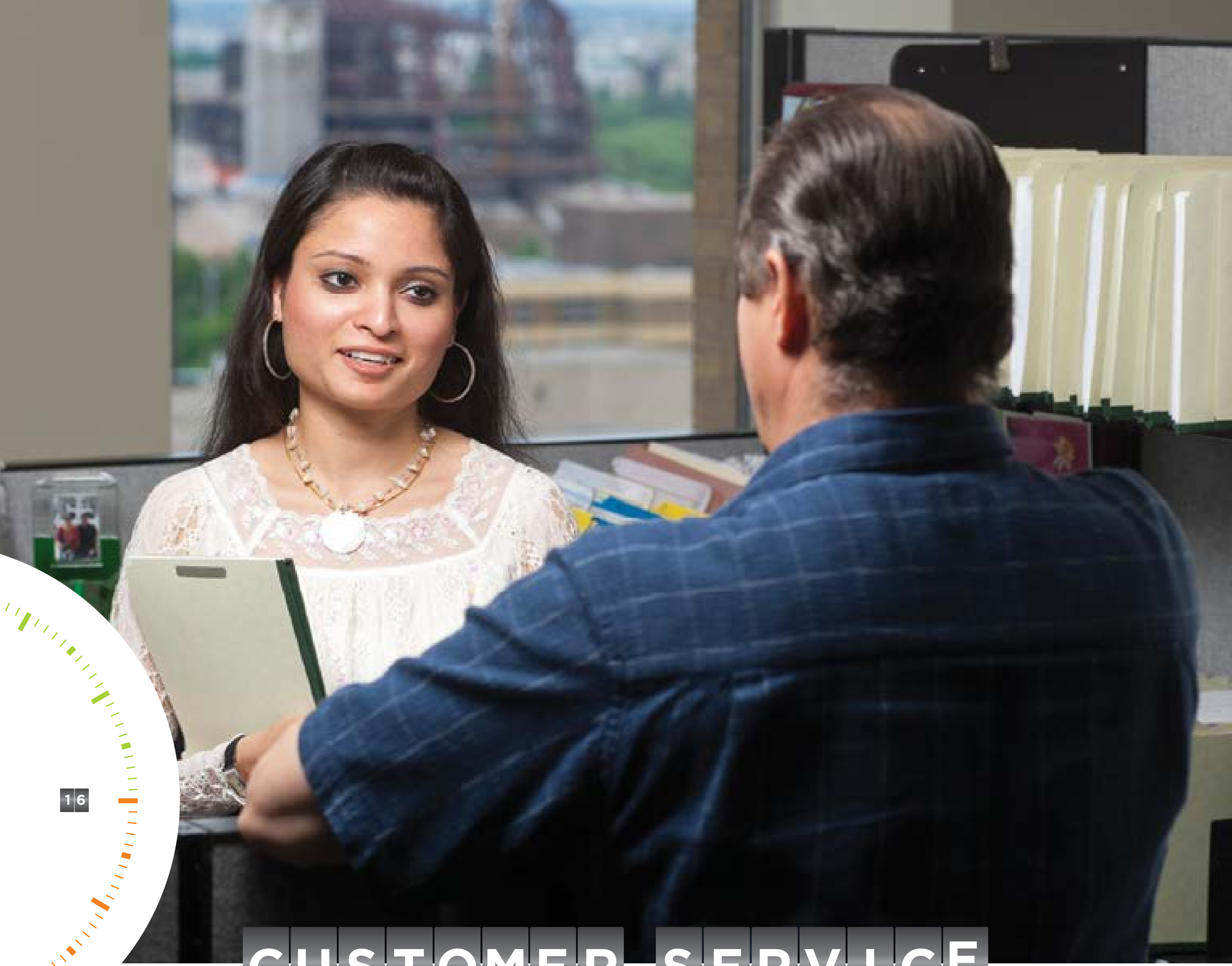
DEMERITS FOR HIGHER-RISK DRIVING

The Driver Safety Rating recognizes and rewards safe driver behaviour: safe driving yields more savings, while higher-risk driving brings higher premiums.

Last year, drivers who demonstrated the safest behaviour earned even greater savings. The premium discount for Manitobans who have driven safely for 15 years was increased to 33 per cent of their basic Autopac premium. People who have demonstrated safe driving behaviour for 10 to 14 years save between 26 and 30 per cent.

To better encourage safe driving behaviour, those who display the highest-risk behaviour will pay more with the maximum driver licence premium increasing to $2,000 in 2012.





CUSTOMER SERVICE

MANITOBA PUBLIC INSURANCE WORKS HARD TO BE KNOWN FOR SERVICE EXCELLENCE

We recognize that our customers are unique and have varying needs for services and products, and for how and when they access them.

Our polling shows that Manitobans are extremely satisfied with the service they receive. However, we understand that our customers' needs and expectations continually change and we constantly evolve to ensure we are meeting those expectations. We are committed to enhancing service, year-in and year-out, even as the price of Basic Autopac goes down.

When we merged with Manitoba's Division of Driver and Vehicle Licensing in 2004, the ultimate goal was to improve service and value through a more holistic customer experience. This vision has been realized through a number of service improvements, and we continue to examine customer service as one of three inextricably linked key business elements to help determine a new business vision that capitalizes on new technology, business practices and opportunities.

SERVICE CENTRES

The new Selkirk Service Centre officially opened, providing area residents the convenience of a full range of services under one roof. The facility is almost double the size of the former Claim Centre, which had been in operation since 1976.

The new centre was designed to meet the certification requirements for the silver Leadership in Energy and Environmental Design (LEED) rating, which will reduce energy consumption and environmental impact, contributing to operational cost savings that ultimately benefit all customers.

Meanwhile, two of our existing facilities – St. Mary's Road Service Centre and cityplace – became the latest Manitoba Public Insurance workplaces to be certified as BESt buildings by the Building Owners and Managers Association of Manitoba. BESt is Canada's leading environmental certification program for commercial buildings and the designations reflect the Corporation's commitment to protecting the environment. Service Centres in Arborg, Beausejour, Winkler and Winnipeg (Pembina Highway, King Edward Street and Pacific Avenue locations) have previously received the designation.

Official opening of Selkirk Service Centre

MINIMIZING DISRUPTIONS
DURING EXTRAORDINARY CIRCUMSTANCES

Last spring, Manitoba Public Insurance maintained service and minimized disruptions for our customers during severe overland flooding that affected a significant portion of the province. We worked to meet customer needs in affected regions by ensuring timely claims payments, temporarily halting late-payment notifications and suspensions, and rescheduling services and appointments. Our employees also volunteered their time in flood fighting efforts.

DRIVER **EDUCATION** AND **TESTING**

This past year we made it more convenient to register for both Driver Education classes and road tests. Registration for Driver Education, previously conducted at high schools, is now available at Autopac agents throughout the province. Payment options were enhanced and all course schedules and availability are accessible to students online at **mpi.mb.ca.**

One-stop convenience was also added to driver testing. Manitobans are now able to purchase and book a road or knowledge test at any Autopac agent or Service Centre throughout the province.

Further enhancements were added in select rural Service Centres, where a new role combines the responsibilities of an adjuster and a driver examiner. This new role addresses variability in customer need and provides more effective and efficient service for customers at these locations.

PHYSICAL DAMAGE

CLAIMS ADMINISTRATION

The current physical damage claims management model has long been an industry leader in terms of service, efficiency and cost containment.

Emerging technologies and best practices are creating opportunities to refine and improve this model. Physical Damage Claims Administration is one of three inextricably linked key business elements currently being examined to determine a new business vision that capitalizes on new technology, business practices and opportunities.

Going forward, we will continue to ensure safe, high quality repairs, to contain costs wherever possible through the claims life cycle and to achieve efficiencies with the repair industry.

Our historic four-year agreement with the Automotive Trades Association and the Manitoba Motor Dealers Association has set the stage for the collaborative development of process improvements that will ensure a robust and sustainable repair industry. We are addressing recruitment and retention of highly-skilled trades people through financial incentives to registered apprentices. Last year, Manitoba apprentices in the Motor Vehicle Body Repairer Program and Motor Vehicle Body Painter Program received more than $400,000 in tool allowances and program grants.

The Corporation is also a sponsor of Skills Manitoba, a not-for-profit organization that promotes the skilled trades and technology sectors. We provide assistance to the organization's mechanical and autobody repair competitions.

PIPP

THE PERSONAL INJURY PROTECTION PLAN

ENHANCED COVERAGE FOR INJURED MANITOBANS

Manitoba Public Insurance administers a world-class Personal Injury Protection Plan (PIPP) to support Manitobans who are recovering from injuries sustained in vehicle collisions.

PIPP provides claimants with superior care and support, allowing them to lead fulfilling and active lives. All Manitoba residents who hold a licence or insurance are covered in the event of a motor vehicle collision anywhere in Canada and the U.S.

Last year, PIPP benefits were increased to provide even greater coverage and assistance for claimants with lifestyle changes associated with their injuries.

Through *The Manitoba Public Insurance Corporation Act*, the government determines the appropriate balance between coverage and cost. The Province of Manitoba is also continually seeking new and innovative ways to further enhance the benefits that PIPP provides and to ensure Manitoba continues to be a leader in comprehensive injury coverage.

SUPPORTING
OUR COMMUNITIES

Manitoba Public Insurance and its employees are committed to enhancing the well-being of our communities. This commitment is demonstrated through support for a wide range of initiatives across the province.

EMPLOYEE **PARTICIPATION**

Manitoba Public Insurance employees actively participate in fundraising and volunteer efforts to benefit their communities.

More than 1,300 employees contributed to last year's United Way workplace campaign. The generosity of employees also extended to the Red Cross Horn of Africa Drought Appeal and the Red Cross and Salvation Army flood relief efforts in Manitoba. Additionally, staff members donated time and effort to fight floodwaters in Lundar and St. Laurent.

During the annual Operation Donation campaign, employees donated more than 13,200 pounds of food to Winnipeg Harvest and 12 other food banks and soup kitchens throughout the province.

Two teams of employees participated in the Manitoba Dragon Boat Festival raising funds for the Canadian Cancer Society.

The Corporation is the primary sponsor of Operation Red Nose and more than 100 staff volunteered their time to get drivers and their vehicles home safely during the holiday season. Employees participated in the communities of Arborg, Brandon, Dauphin, Flin Flon, Gimli, Portage la Prairie, Selkirk, The Pas, Thompson and Winnipeg.

Employees also rallied in support of the Christmas Cheer Board, donating goods to fill more than 20 hampers and volunteering their time to make deliveries to families in need.

Individuals also volunteered their time and raised money for a number of other worthy organizations throughout the year, including Habitat for Humanity, Cerebral Palsy Association of Manitoba, Heart and Stroke Foundation, Koats for Kids, Juvenile Diabetes Research Foundation and more.

This spirit of giving continues a long tradition of Manitoba Public Insurance and its employees working throughout the province to help build safe, healthy and sustainable communities.

INITIATIVES IN **OUR COMMUNITIES**

SCHOOL SAFETY PATROLS: Patrols celebrated their 75th anniversary last year. From humble origins in 1936 at Greenway School, the program has grown to include 8,000 elementary school children in Winnipeg and 2,000 in other areas across the province. Manitoba Public Insurance provided $50,000 in funding in 2011, and partners with CAA Manitoba to administer the program and help kids travel safely to and from school.

CITIZENS ON PATROL PROGRAM: We marked 10 years as a proud sponsor of the Citizens on Patrol Program (COPP), which now has 70 active groups throughout the province. Manitoba Public Insurance provides $200,000 in funding to 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 of road-safety issues.

DRIVER EDUCATION: The Corporation offered two new programs to improve access to driver training. We provided a Driver Education course at the Natural Resources Youth Training Program – held last summer 80 kilometres north of The Pas – for aboriginal youth in isolated northern areas. Eleven young people received professional driving instruction and obtained their Class 5L licence (Learner Stage).

We also administered a Manitoba government pilot program called Drive to Succeed, which incorporated Driver Education into the Salvation Army's Life and Employability Enhancement Program for recent immigrants. The program provides driver training for newcomers to whom a driver's licence can be an essential tool that can help gain and keep employment and assist in day-to-day living.

MD&A

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.

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.

Social and Economic Contribution

Manitoba Public Insurance takes a proactive role in identifying, and investing in, lasting solutions to community safety issues related to our business mandate. Like any major corporate citizen, we support local charities and non-profit organizations to enhance the quality of life for Manitobans. It is with an eye to future generations and the health of our communities and province that Manitoba Public Insurance ensures its business and purchasing practices as well as its operations are in keeping with the principles of sustainable development.

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 greatest 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.

From 1971 until the Division of Driver and Vehicle Licensing (DDVL) merged with 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) and 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 to:

- Improve customer service.
- Save costs and become more efficient by reducing overlap and duplication.
- 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. A portion of excess retained earnings from non-Basic lines of business was set aside beginning in 2007 for this purpose. A total of $91.7 million has been set aside, of which $70.9 million has been expensed to date.

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 have also taken on additional responsibilities, including registration for Driver Education.

As well, a significant change in driver testing occurred last year. Driving tests can now be scheduled at any of the more than 300 broker locations throughout the province and at all Service Centres.

Customers have responded very favourably to the broadening of the Autopac broker's role. In general, 93 per cent of Autopac and driver's licence customers were satisfied with the overall level of service they received at a broker's office. More specifically, last year 92 per cent of customers said they received prompt service while at a broker's office, 98 per cent of customers responded positively when asked if their account transactions are processed promptly and 97 per cent said brokers treated them courteously and politely.

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 the automobile insurance and registration system.

SERVICE CENTRES

The Corporation continued to move forward with its new service model, opening the Selkirk Service Centre in May 2011. The new Service Centre model combines all claims, insurance sales, driver testing and licensing services under one roof and is proving popular among Manitobans.

The Selkirk Service Centre follows the construction of three Winnipeg Service Centres in 2010. After a full year of operations, feedback indicates customers are extremely satisfied with the comprehensive services, locations, hours of service and professionalism of employees.

As further convenience for our customers, all non-contentious claims from across the province were centralized into a dedicated Claims Processing Unit. This new unit enables a pool of claims processors access to handle any customer query on the first call. This increased accessibility has allowed for faster response times and a consistent application of policies and procedures.

A hybrid position of driver examiner and adjuster was also introduced last year at the Dauphin, Thompson, Selkirk and Steinbach Centres. This new position provides the flexibility required to meet the seasonal variations in demand for services in these areas so customers can now obtain driver tests in a more convenient and timely manner.

ROAD SAFETY

Manitoba Public Insurance 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, impaired driving (whether from alcohol, drugs or fatigue), the use of hand-held devices when driving and non-use of occupant restraints such as child car seats and seat belts.

In collaboration with other like-minded road safety stakeholders and community groups throughout Manitoba, we continue to develop new initiatives to address emerging safety concerns.

With the understanding that traditional road safety models require coordinated education and enforcement efforts to have a maximum impact, we continue to work closely with the Manitoba Association of Chiefs of Police, which includes representation from the Royal Canadian Mounted Police, the Brandon Police Service and the Winnipeg Police Service. This partnership has resulted in a yearly integrated awareness and enforcement campaign calendar that is distributed across the province to facilitate coordinated action from community groups, enforcement agencies and Manitoba Public Insurance. This integrated approach is an effective way to improve driver behaviour and ensure efficient use of valuable road safety resources. We also provide data and data-capture tools that assist police agencies in tailoring their enforcement efforts.

Reducing impaired driving continued to be a key focus of our awareness activities. Report Impaired Drivers 911, a pilot project to educate Manitobans on how to spot and report impaired drivers, was launched in partnership with Brandon Police Service, MADD Canada and the Manitoba Liquor Control Commission.The campaign resulted in increased 911 calls to report impaired drivers and will be expanded to other communities in the future. The Corporation also increased funding to RoadWatch, a successful program that combines increased law enforcement and public awareness to reduce impaired driving.

Community involvement remained a key component of our safety initiatives. Participation grew significantly in SpeedWatch, which lends radar-operated speed reader boards to community groups. The boards display the posted limit and the driver's speed, sending the message that speeding is not acceptable. There are now 24 community members in the SpeedWatch program. Nearly all of them are also part of our Citizens on Patrol Program (COPP), a crime prevention and community safety program that grew by 17 per cent last year.

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.

THE CORPORATE SERVICE VISION

Manitoba Public Insurance will continue to define a new corporate vision and philosophy for Customer Service, Physical Damage Claims Administration and Road Safety – three distinct, yet inextricably linked elements of our business.

Over the next few years, we will create a service delivery framework and transformational roadmap that will serve as a foundation for the development of a comprehensive project plan. This plan will guide our staff and business partners as we work together to meet the evolving needs and expectations of our customers.

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 eight 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 *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. The Public Utilities Board approves Basic Autopac insurance rates.

Whistleblower Report

This report on the Whistleblower Hotline covers the fiscal period March 1, 2011, to February 29, 2012.

A report was submitted to the Whistleblower Hotline regarding the potential inappropriate assignment and use of a corporate vehicle to an employee. An investigation was conducted which revealed there was merit to the allegation and use of the car was terminated. The employee, however, had been authorized to use the vehicle by their supervisor, who had since retired. The whistleblower was informed of the results of the investigation and the complaint concluded.

Fair Practices Office

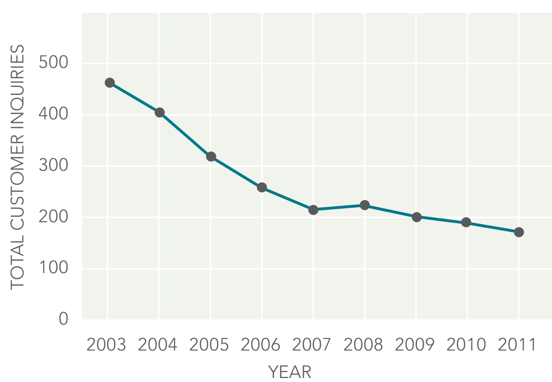
Our public auto insurance system strives for continuous improvement in all aspects of its operation, particularly those aimed at ensuring fair and appropriate service to customers. With that goal in mind, the Fair Practices Office (FPO) was created in 1999.

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 make recommendations about an operational decision on a specific case(s) 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 continues to decline and is indicative of a trend over the years. This year the office handled 173 inquiries, down from 198 last year. The Corporation continues to improve processes for handling escalating concerns and for identifying duplicate inquiries. As a result, we anticipate individual customer inquiries will continue to be successfully resolved without the involvement of the FPO.



2011 Fair Practice Results

In the 2011/12 fiscal year, the FPO received 173 documented inquiries from the following referral sources:

Customer	25
Formal Ombudsman inquiries	11
Informal Ombudsman inquiries	117
Internal referrals	20

The FPO recommended the Corporation revise its decision in 24 situations, or about 14 per cent of the cases it reviewed.

Compliance to Legislative Authority: Sustainable Development Act

In accordance with Section 14 of *The Manitoba Sustainable Development Act* (1997), the Corporation did not experience any environmental incidents between March 1, 2011, and February 29, 2012. 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 (2011/12)
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 no bacterial contamination.
Runoff water and sediments for vehicle related contaminants.	Drainage water test samples showed levels below environmental guidelines except one sample that contained higher levels of heavier hydrocarbons (likely diesel or engine oil). The tanks and containment berms were checked for possible leakage with no problems being found. Subsequent testing showed only low levels of hydrocarbon.
Waste audits to evaluate recycling success and opportunities.	Results showed that the Corporation continues to achieve a high level of waste diversion.

FLEET VEHICLE MANAGEMENT

The Corporation has a fuel-efficient fleet highlighted by a large percentage of hybrid, four-cylinder and E-85 vehicles. Average fuel efficiency for the regular fleet improved from 11.9 to 11.6 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 buildings to accepted environmental standards.

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

All of the Corporation's newest Service Centres meet these standards.

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) in newer facilities 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.
- LED handheld estimating lights.

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 (2011/12)	Activity
27,278	Salvage vehicles were sold to automobile recyclers and the public to be rebuilt or used for replacement parts.
21,603	Salvage vehicles had freon extracted from the vehicle air conditioning system.
3,168	Litres of gasoline extracted from salvage vehicles and used for corporate vehicles.
	Materials are recycled including:
431	Electronic devices
194	Tonnes of paper and cardboard
0.3	Tonnes of plastic and metal containers
9.26	Tonnes of carpet
87,308	Recycled parts used in claims repairs

CORPORATE GOALS, STRATEGIES AND MEASURES

Manitoba Public Insurance's 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.

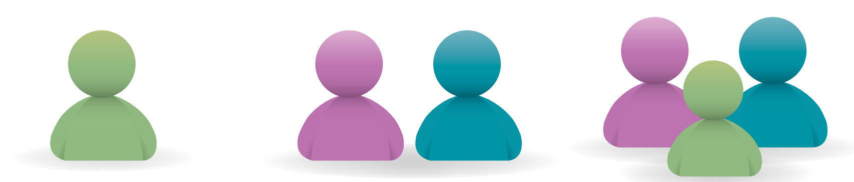
1.5 To increase the percentage of revenue derived from investment income while remaining within acceptable investment risk profiles.

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.

RATE COMPARISON CHART



MEASURES 2012 rates based on: 2010 Dodge Caravan SE, $500 All Perils deductible, $2 million third-party liability	21 YEAR OLD *Five-year clean driving record*	35-YEAR-OLD COUPLE *Both with 15-year clean driving records*	40-YEAR-OLD COUPLE *Both with 15-year clean driving records* 16-YEAR-OLD SON *Accident-free*
WINNIPEG	**$1,179**	**$992**	**$1,037**
CALGARY	$3,045	$1,431	$2,859
TORONTO	$9,370	$4,398	$8,041

NOTES:

1. The Dodge Caravan SE is the most common passenger vehicle registered in Manitoba.
2. Manitobans will pay less for their automobile insurance in 2012 than all major Canadian cities.

Goal 2

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

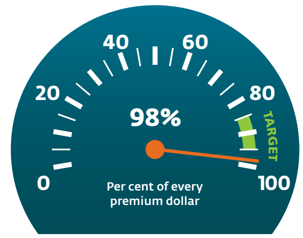
STRATEGIES

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

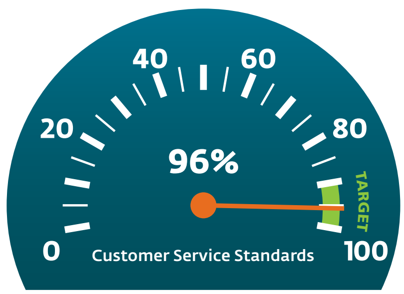
4.1 To enhance a customer-centric service philosophy.

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

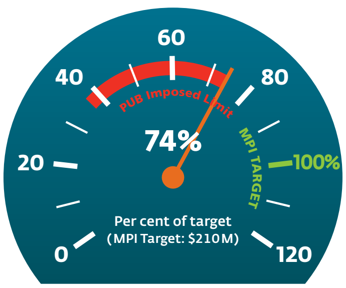
5.1 To maintain financial stability by setting appropriate premium rates, strengthening investment income and maintaining retained earnings and Rate Stabilization Reserve within established target levels.

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

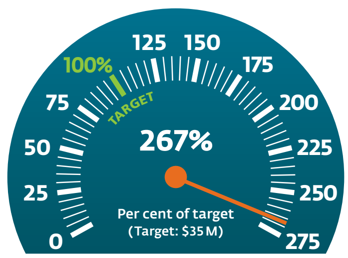
5.3 To develop business strategies to ensure competitive lines of business are profitable and contribute to the benefit of all Manitobans.

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.

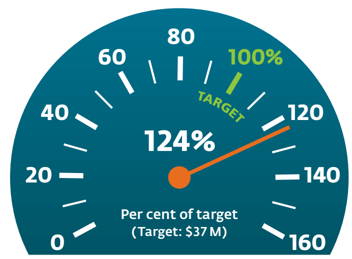
MEASURES



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

First Reporting Year Under IFRS

The year ended February 29, 2012, reflects, for Manitoba Public Insurance, the adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The comparative results as at February 28, 2011, and at the date of transition to IFRS, March 1, 2010, previously reported based on Canadian Generally Accepted Accounting Principles (GAAP), have been restated based on IFRS. Note 33 – First-time Adoption of International Financial Reporting Standards, which accompanies the audited financial statements, contains a detailed description of the conversion to IFRS, including accounting policy changes and reconciliations of financial statements previously prepared under Canadian GAAP.

Corporate

The Corporation's financial mandate is to break even over the long term. During the reporting period, for every dollar of revenue earned after surplus distribution, the Corporation provided Manitobans with 87 cents in claims benefits. Operating, including regulatory and appeal expenses, accounted for 12 cents of every dollar of revenue earned after surplus distribution while broker commissions and premium taxes cost 11 cents. This resulted in an underwriting loss of 10 cents which was offset by investment income equal to 12 cents per dollar of revenue. The Corporation's net income after surplus distribution was 2 cents for every dollar of revenue earned during the year.

WHERE YOUR PREMIUM DOLLAR HAS GONE

TOTAL CLAIMS COSTS	OPERATING & REGULATORY/ APPEAL EXPENSE	BROKER COMMISSIONS	PREMIUM TAXES
87¢	12¢	8¢	3¢

TOTAL EARNED REVENUES AFTER SURPLUS DISTRIBUTION		TOTAL CLAIMS AND EXPENSES		UNDERWRITING LOSS		INVESTMENT INCOME		NET INCOME AFTER SURPLUS DISTRIBUTION
$1.00	–	$1.10	=	(10)¢	+	12¢	=	2¢

CURRENT YEAR AND LAST YEAR

In 2011/12, the Corporation had a net income after surplus distribution of $23.3 million, $52.5 million better than the previous year. This was due to an increase in investment income of $23.3 million, $3.2 million resulting from a gain on the disposal of property and the surplus distribution being $307.6 million lower than last year. This was offset by claims costs which were $302.7 million higher than last year due to the reduction in the claims reserve which occurred in 2010/11.

REVENUE

In 2011/12, total earned revenues increased to $987.8 million, an increase of 2.7 per cent from 2010/11, due mainly to increases in the number and value of vehicles insured in Manitoba despite a 4.0 per cent rate decrease for Basic insurance.

Total earned revenues include $27.3 million received from the Province of Manitoba. Beginning April 1, 2011, the government increased its payments to the Corporation to $28.0 million as part of the agreement with the Province of Manitoba for providing services related to *The Drivers and Vehicles Act* (DVA) operations.

CLAIMS COSTS

Beginning in 2005, a new reserving method was implemented for older open Personal Injury Protection Plan (PIPP) claim files. Since the new reserving method was based on theoretical models that had not been empirically tested against Manitoba Public Insurance's own emerging experience, the external appointed actuary was reluctant to fully reflect the results of the new method in establishing the reserves.

In 2010/11, there were five years of development observations under this process of reserving for open claims with continuing periodic payments. These observations have shown relative consistency in the periodic claim development patterns since the introduction of the new process in 2005. Therefore, beginning with the 2010/11 review, the Corporation has shifted to relying largely on the post-2005 claim development observations for all insurance years. The result of this change was a decrease in claims reserves of approximately $268 million in 2010/11.

Excluding the one-time release of $268 million last year, in 2011/12, the Corporation's overall claims incurred increased by approximately $15.4 million to $701.9 million compared to 2010/11. Of this amount, injury claims incurred increased by $21.3 million while physical damage claims decreased $5.9 million. The total number of claims filed increased by 1,438 from 275,763 in 2010/11 to 277,201 in 2011/12.

The increase in injury claims incurred is mainly the result of an $84.0 million increase in injury claim liabilities due to a lower interest rate assumption used when discounting these liabilities. Net of these adjustments, injury claims incurred decreased by $62.7 million.

The physical damage claims decrease was mainly attributed to fewer collision claims – 149,764 in 2011/12 compared to 155,115 last year, including a decrease of 15.6 per cent in the number of theft and vandalism claims.

CLIMATE CHANGE

For Manitoba, climate change has become synonymous with increasing and unpredictable levels of flooding, fires and severe weather conditions, including hailstorms.

For Manitoba Public Insurance the impact of severe weather conditions, especially hailstorms, has been dramatic. For 25 years, from 1971 to 1996, the Corporation did not experience any significant claims costs related to hail damage requiring reinsurance recovery. However, since 1996, the once stable and consistent weather pattern has changed, resulting in the Corporation making four reinsurance claims following severe hailstorms.

And while there were no reinsurance claims made in 2011/12, we did realize a 45 per cent increase in hail claims (based over the long-term average).

We will continue to carefully monitor and respond to future projections, which call for a continued trend in unpredictable and variable weather patterns.

EXPENSES

Total corporate expenses increased to $222.5 million, up $4.5 million from last year as the Corporation continued to integrate *The Drivers and Vehicles Act (DVA)* operations and invest in customer service improvements made possible by the 2004 merger.

INVESTMENT INCOME

Total investment income, net of impairments and investment management fees, rose to $119.0 million compared to $95.7 million last year, an increase of 24.3 per cent. The $23.3 million improvement is primarily due to an increase in gains on the bond portfolio. Refer to Note 4 of the Financial Statements for a breakdown of investment income by type of investment.

The Minister of Finance is responsible for investing the money that Manitoba Public Insurance sets aside for future claims 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 29, 2012, a decrease of 7.5 per cent or $182.3 million from the previous year, mainly due to the surplus distribution that was paid in 2011/12. The bond portfolio, which accounts for 62.2 per cent of the investment portfolio, is primarily invested in two types of bonds:

- Marketable bonds, mainly issued by the governments of Manitoba and other provinces, including floating rate notes (39.6 per cent of the total portfolio market value).
- Non-marketable bonds issued by Manitoba municipalities, hospitals and school divisions, purchased through the Manitoba Department of Finance (22.6 per cent).

The Minister of Finance through his government department contracts with four external investment managers to administer Manitoba Public Insurance's Canadian equity portfolio, which represents 16.5 per cent of the total investment portfolio. The Corporation also has 6.0 per cent of its portfolio in United States equities which are passively managed by one external investment manager with exposure to the U.S. equity market through two Indexed Funds – Russell 1000 Value and Russell 2000 Value. Short-term investments account for 6.0 per cent of the investment fund; venture capital and private equity investments represent 0.3 per cent of the portfolio's carrying value, investment in infrastructure accounts for 0.5 per cent of investments and pooled real estate funds account for 6.9 per cent while directly held real estate investments account for 1.6 per cent of the investment portfolio.

The total portfolio, on a market value basis, had a 6.4 per cent return during the fiscal year. Marketable bonds returned 11.9 per cent, non-marketable bonds 5.7 per cent, floating rate notes 2.1 per cent and real return bonds 8.1 per cent. Large cap Canadian equities returned 7.2 per cent over the same time period, small cap Canadian equities returned 4.7 per cent and U.S. equities returned 1.2 per cent. Over a four-year period, the investment portfolio has achieved an annualized return of 5.4 per cent.

Basic

CURRENT YEAR AND LAST YEAR

In 2011/12, Basic insurance net income from annual operations of $22.3 million was $261.6 million lower than last year, due to the decrease in claims reserves of approximately $253 million the previous year. Basic's share of investment income rose by $17.4 million to $101.2 million, an increase of 20.8 per cent compared to 2010/11. The surplus distribution was $307.6 million lower than last year offsetting the decrease in net income from annual operations. This resulted in net income after surplus distribution of $8.2 million, $46.0 million better than the previous year.

REVENUE

The number of policies in force at year end increased to 995,682 from 955,564. This increase in policy volume was offset by a 4.0 per cent premium rate decrease. Total earned revenues increased by a net $12.1 million to $780.4 million.

CLAIMS COSTS

Total claims costs increased $287.8 million compared to last year. Excluding the one-time release of claims reserves, described earlier, claims costs increased by $35.0 million.

Excluding the one-time release of claims reserves in 2010/11, injury claims incurred increased by $25.1 million due to declining interest rates which lead to an increase in injury claim liabilities. The number of injury claims dropped by 3.4 per cent from 17,186 to 16,598.

Physical damage claims incurred were marginally higher compared to last year, increasing by $1.1 million.

Customer service improvement initiatives, including road safety expenditures, contributed to the increase in claims costs by $8.8 million.

INJURY CLAIMS

Type of Claim*

Years Ended February 29/28	**2012**	2011	2010	2009	2008
Fatal	**172**	126	135	131	159
Brain injury**	**276**	146	66	44	86
Quadriplegic	**6**	2	6	3	5
Paraplegic	**1**	1	3	6	6
Broken bones	**849**	705	754	766	785
Sprains and strains***	**3,980**	3,198	–	–	–
Whiplash	**8,646**	10,735	13,885	14,669	15,173
Bruising/Lacerations	**1,072**	1,366	801	651	707
Other	**1,593**	907	1,021	673	790
Total	**16,595**	17,186	16,671	16,943	17,711

* In 2011, a new Bodily Injury claims management system became operational which classifies injury types utilizing the International Classification of Diseases – ICD10 codes.

** Under ICD10, brain injury includes concussions and loss of consciousness, which were not included in this category prior to 2011.

*** Prior to 2011, sprains and strains were included in whiplash.

EXPENSES

Basic's expenses increased to $124.7 million, up $3.4 million compared to last year. The increase in premium taxes of $9.6 million is primarily related to the premium rebate that occurred in 2010/11 and was partially offset by a decrease in commission costs of $5.0 million, related to the implementation of the streamlined renewal process.

INVESTMENT INCOME

Basic's share of corporate investment income was $101.2 million, net of impairments and investment management fees. This was an increase of $17.4 million or 20.8 per cent compared to last year attributable mainly to increased gains on investments in bonds.

RETAINED EARNINGS

At February 29, 2012, Basic retained earnings totaled $213.7 million compared to $205.5 million at February 28, 2011. Of the current year's retained earnings, $155.7 million is allocated to the Rate Stabilization Reserve (RSR) and $58.0 million to Basic Retained Earnings. Additional information is provided in the Notes to Financial Statements (Note 3).

Basic Autopac - Five Year Statistics ($000)

Years Ended February 29/28	**2012(1)**	2011(1)	2010 (1)	2009 (1)	2008 (1)
Premiums written	**779,953**	759,552	738,999	714,265	675,762
Claims incurred	**612,037**	333,071	515,788	519,541	525,287
Claims expense	**109,760**	97,182	84,012	77,620	73,146
Other expenses	**137,669**	137,976	140,221	129,997	123,963
Net income (loss)	**22,278**	283,855	87,773	(8,165)	69,040
Net income (loss) after surplus distribution	**8,158**	(37,823)	87,773	(8,111)	6,475

(1) IFRS
(2) Canadian GAAP

Extension

CURRENT YEAR AND LAST YEAR

Extension insurance reported net income of $21.8 million compared to $25.2 million the previous year. A decrease of $3.6 million in Extension's underwriting results and an increase in its investment income of $0.2 million resulted in an overall reduction of $3.4 million in net income from the sale of extension products compared to last year.

REVENUE

Earned revenues from the sale of Extension products increased by $5.9 million to $129.8 million compared to last year. All products, including the sale of coverage for third-party liability, deductible buy down and loss of vehicle use contributed to the increase.

CLAIMS COSTS

Total claims costs – including claims benefits, claims handling, loss prevention and road safety expenses – increased $0.7 million to $69.1 million. Physical damage claims incurred decreased by 11.6 per cent due to an actuarial reduction in comprehensive claim reserves. In the current actuarial valuation, a provision for anticipated future deductible increases of $6.0 million previously established was removed.

EXPENSES

Expenses related to the sale of Extension products was $47.0 million, an increase of $8.8 million from the previous year. This increase was primarily due to a rise in commission costs of $6.1 million due to an increase in the number of products in force as well as new commission rates according to the Agent Commissions Regulation under *The Manitoba Public Insurance Corporation Act*. An increase in operating expenses of $2.6 million also contributed to the increase in overall expenses.

INVESTMENT INCOME

Extension's share of corporate investment income of $8.1 million, net of impairments and investment management fees, was $0.2 million higher than last year.

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 29, 2012, Extension retained earnings totaled $97.8 million compared to $81.3 million the previous year and the EDF totaled $20.8 million ($43.2 million the previous year).

From its inception in 2007 to 2011, $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 29, 2012, has reduced the EDF to $20.8 million. Additional information is provided in the Notes to Financial Statements (Notes 3 and 21).

Extension Five Year Statistics ($000)

Years Ended February 29/28	**2012(1)**	2011(1)	2010 (2)	2009 (2)	2008 (2)
Premiums written	**126,300**	121,118	118,985	118,694	110,618
Claims incurred	**50,991**	57,259	57,863	63,517	59,621
Claims expense	**16,505**	9,990	9,285	8,808	7,988
Other expenses	**48,540**	39,250	35,703	32,421	26,764
Net income (loss)	**21,837**	25,199	27,534	14,264	24,107

(1) IFRS
(2) Canadian GAAP

Special Risk Extension

CURRENT YEAR AND LAST YEAR

Special Risk Extension (SRE) insurance reported a net loss of $2.2 million, a decrease of $12.6 million from the previous year. An increase in earned revenue of $1.1 million and higher investment income of $2.2 million were offset by increases in claims costs, including claims expense and loss prevention and road safety expenses, of $14.2 million and expenses of $1.7 million.

REVENUE

Total earned revenues in 2011/12 were $49.8 million compared to $48.7 million the previous year. The sales of SRE products, which include large trucking companies' liability, cargo and physical damage coverage, showed a growth of 2.3 per cent compared to last year.

CLAIMS COSTS

Total claims costs, including claims expense and loss prevention and road safety expenses, increased from $32.0 million in 2010/11 to $46.2 million in 2011/12. Liability and cargo claims incurred increased by $10.9 million due to higher volume and severity.

Physical damage claims incurred decreased by less than 1.5 per cent compared to the previous year, a change of under $0.2 million. Claims expense and loss prevention and road safety costs increased by $3.5 million from the previous year.

EXPENSES

SRE's expenses increased to $13.2 million from $11.5 million, due to an increase in operating costs of $1.8 million offset by a minimal reduction in commission expense.

INVESTMENT INCOME

SRE's share of corporate investment income, net of impairments and investment management fees, reflected a rise of $2.2 million to $7.4 million compared to last year.

RETAINED EARNINGS

SRE's retained earnings are derived from the annual operations of the SRE line of business. SRE's retained earnings were $45.8 million as at February 29, 2012, compared to $48.0 million last year. Since inception of the EDF in 2007, SRE retained earnings have also contributed $58.4 million to the fund.

SRE - Five Year Statistics ($000)

Years Ended February 29/28	**2012**[(1)]	2011[(1)]	2010[(2)]	2009[(2)]	2008[(2)]
Premiums written	**53,287**	49,054	48,245	52,724	55,673
Claims incurred	**38,822**	28,080	40,547	22,585	33,491
Claims expense	**6,060**	3,685	4,151	4,016	3,371
Other expenses	**14,489**	11,519	10,799	11,520	12,207
Net income (loss)	**(2,192)**	10,416	(685)	14,899	16,049

(1) IFRS
(2) Canadian GAAP

The Drivers and Vehicles Act Operations

CURRENT YEAR AND LAST YEAR

The Drivers and Vehicles Act (DVA) operations experienced a net loss of $4.5 million compared to a net loss of $27.0 million last year. Project costs associated with improvement initiatives contributed $9.3 million to the DVA operations net loss. These project costs are recovered from the Extension Development Fund. The current year's income after this recovery was $4.8 million, $1.7 million due to DVA operations and $3.1 million from the gain on sale of property. This net income is returned to Extension retained earnings as partial repayment of the $14 million used from Extension retained earnings (through the EDF) for the implementation of the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's Licence and Manitoba Identification Card.

REVENUE

Beginning April 1, 2011, the government increased its payments to the Corporation to $28.0 million annually. This funding fully covers the cost of the DVA administrative operation and as indicated earlier also allowed for a contribution of $4.8 million for repayment of the start-up costs for the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's Licence and Manitoba Identification Card.

In 2011/12, the Corporation received $27.3 million from the Province of Manitoba and reported $0.4 million in service fees and other revenue, resulting in overall revenue being $6.3 million higher than the previous year.

EXPENSES

DVA operations' expenses of $37.7 million were down $9.5 million compared with last year's expenses of $47.2 million primarily due to a reduction in project costs.

INVESTMENT INCOME

DVA operations portion of corporate investment income, net of investment management fees and impairments, increased by $3.5 million to $2.7 million compared to last year.

GAIN ON DISPOSAL OF PROPERTY

In 2011/12 the Corporation sold property, including land and a building, located at 1075 Portage Avenue in Winnipeg, resulting in a net gain of $3.1 million. The property, acquired in 2004 as part of the merger between the Corporation and the Division of Driver and Vehicle Licensing, had been used for the administration of DVA operations and as such, the net gain on the sale has been reported as part of the DVA operations.

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 adequate unpaid claims reserve
- maintaining an adequate Rate Stabilization Reserve
- governance of investments
- loss prevention strategies
- claims control strategies
- information technology processes

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 quarterly. Adjustments, if needed, are calculated by the Corporation's actuary. An independent assessment of the reserves is also conducted twice a year by the Corporation's external appointed 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.

For all insurance companies, long-lasting injury claims are the largest source of year-to-year variability in the estimate of ultimate costs. This variability and volatility 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 Personal Injury Protection Plan (PIPP) and public liability claims. For Manitoba Public Insurance, factors such as the effects of inflationary trends and changing interest rates contribute to this variability. Investment portfolio management techniques help to reduce this potential volatility.

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.

Beginning in 2005, a new reserving method was implemented for older open PIPP claim files. Since the new reserving method was based on theoretical models that had not been empirically tested against Manitoba Public Insurance's own emerging experience, the external appointed actuary was reluctant to fully reflect the results of the new method in establishing the reserves.

There are now six years of development observations under this process of reserving for open claims with continuing periodic payments. These observations have shown relative consistency in the periodic claim development patterns since the introduction of the new process in 2005.

The changes made in 2005 have proven over the last six years to enhance the quality of the claims reserve estimate. However, there will always be variability in the estimate from year to year.

Rate Stabilization Reserve

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

The Public Utilities Board and the Corporation have differed on the methodology for determining the maximum required RSR for some time.

The Public Utilities Board target is reflective of 10.0 per cent to 20.0 per cent of written premiums or $77.9 million to $155.7 million.

Manitoba Public Insurance uses the Dynamic Capital Adequacy Test (DCAT), which is a test used by actuaries to assess the probable financial risks faced by a Corporation and the risk management and corrective actions required to address these risks. The DCAT is a transparent approach that creates a clear linkage between the RSR and the amount of the risk faced by the Corporation. The 2011 Basic DCAT report indicates the Corporation's current RSR target should be $210.0 million.

The Public Utilities Board's direction in its last order was that it would revisit the methodology used to determine the amount of the RSR. The Corporation welcomes this direction. While the Corporation has accepted the Public Utilities Board ordered RSR in the past for rate-making purposes, this coming year we do not anticipate applying for a rebate given the Public Utilities Board stated intention to revisit the RSR target.

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, works collaboratively with the Department of Finance and makes recommendations to the Minister regarding appropriate policies and strategies to maximize return, minimize volatility and 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 infrastructure, are included in the portfolio. The Investment Committee 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 is outlined in the Notes to Financial Statements (Note 31).

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. Since 2004 – just prior to the Corporation implementing its auto theft initiatives – auto thefts in Winnipeg have dropped 82 per cent. Across the province, the combined total and attempted thefts continue to be the lowest since 1992, and are 80 per cent lower than 2006 when this combined total peaked.

Significant progress continued in 2011 with a combined reduction of 31.6 per cent of total thefts and attempted thefts from 2010.

The Winnipeg Police Service reports that in 2011, the average number of vehicles stolen daily was 3.8, down from 5.2 in 2010 and approximately one-sixth of the number stolen in 2004, when an average of 24 vehicles were stolen every day.

The bulk of the Corporation's success continues to be attributed to two different but complementary initiatives: the Winnipeg Auto Theft Suppression Strategy (WATSS) and the Immobilizer Incentive Program.

IMPACT OF AUTO THEFT INITIATIVES

The real cost of auto theft in 2011 was more than $30 million less than had been forecasted in 2004, before WATSS and the Immobilizer Incentive Program were implemented.

In 2011, claims costs for total and attempted theft were roughly $11.8 million – a drop of approximately $3.1 million from the $14.9 million incurred in 2010. More specifically, from 2010 to 2011:

- Total theft claims costs declined $1.6 million or 14.3 per cent.
- Attempted theft claims costs declined by $1.5 million or 41.3 per cent.

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

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.

SPECIAL ACCOUNTS AND SUBROGATION

The Special Accounts and Subrogation department (SAS) acts to secure, preserve and enforce the Corporation's rights of recovery through its various services, such as subrogation, litigation and collections. The goal of maximizing recovery – and thereby minimizing claims loss – requires SAS to work closely with other internal departments on claims recoveries and with police agencies and Crown prosecutors to secure court ordered restitution on criminal recoveries.

Last year, SAS activity resulted in roughly $11.3 million in recoveries for the Corporation.

Claims Control Strategies

Our cost-control measures with respect to claims management include:

- Establishment of an accreditation program for the collision repair industry to ensure high quality, safe repairs at a reasonable cost. This requires shops and the technicians within shops to meet standards for facilities, equipment and annual training of technicians.
- Delivery of high quality training programs to the collision repair industry to ensure repairs are performed by highly trained technicians to high standards using current technologies.
- Use of estimating compliance software to ensure all repairs estimates are prepared accurately and consistently ensuring that only required repairs are performed.
- Use of aftermarket and recycled parts in vehicle repairs.
- Discounted pricing on glass replacement.
- Ensuring collection of claims costs from other insurers and at-fault parties (subrogation).
- A team-based approach to managing bodily injury claims intended to assist individuals in achieving as full a recovery as possible.

The savings from these initiatives are significant. For example, the use of aftermarket and recycled parts resulted in savings of almost $29 million. These savings are directly passed on to customers in the form of lower insurance premiums.

Information Technology Optimization

The Corporation depends on highly integrated quality systems to serve customers and fulfill its legislated mandate. It is imperative that we continue to ensure that the Corporation's systems infrastructure is operating in the most effective and efficient manner. Applications and supporting infrastructure must be current and well supported

Last year, the Corporation developed a robust, risk management strategy entitled Information Technology (IT) Optimization. This initiative will assess and address operational risk associated with information systems and capability, including risk associated with key areas of applications, infrastructure, operational processes, information security, controls and disaster recovery. These projects will refurbish the Corporation's IT infrastructure to lower the risk of service interruption and to enable future service improvements to the benefit of ratepayers. At that time, the Board of Directors authorized the appropriation of $75.0 million from retained earnings of the Corporation to fund costs for IT Optimization projects. Since that time, the Corporation has determined that optimal risk mitigation approaches will require far less capital resources. As well, the Public Utilities Board did not support funding the IT Optimization projects through retained earnings. For both reasons, the special allocation of retained earnings was discontinued and the funds were returned to retained earnings. With respect to protecting our ongoing ability to serve customers, we are adopting processes and protocols to ensure business continuity in place of the previous approach of disaster recovery.

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 for approval. The Corporation generally files its rate application in June of each year for the fiscal year beginning the following March.

On December 2, 2011, the Public Utilities Board released its ruling on Manitoba Public Insurance's rate application for the 2012/13 fiscal year. Effective

March 1, 2012, overall Basic compulsory insurance premiums decreased by an average of 8.0 per cent. Average premiums decreased by 8.0 per cent for owners of private passenger vehicles, 8.8 per cent for commercial vehicles and 10.8 percent for the motorcycle major class.

NET INCOME

Current projections indicate that the Basic Autopac line is expected to incur a small loss in 2012/13 and 2013/14. Extension and Special Risk Extension are expected to realize profits and on-going operations related to the administration of *The Drivers and Vehicles Act* are expected to continue to generate some limited net income to replenish the Extension retained earnings used for start-up costs for the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's Licence and the Manitoba Identification Card.

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 Public Utilities Board.

After the merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing, both the Corporation and Public Utilities Board 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 Public Utilities Board 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 Public Utilities Board directed the Corporation to further its research into the proposed methodology for consideration at the 2011 General Rate Application. This further research was completed. However, in Order 145/10, the Public Utilities Board endorsed the new method but disallowed the use of the new methodology for ratemaking purposes.

The Corporation is satisfied that the new methodology better allocates the costs to its lines of business, and therefore implemented the new methodology March 1, 2011. Compared to the old methodology, expenses will be reduced for both Basic insurance and DVA operations, while Extension and SRE insurance will experience an increase in allocated expenses.

Future Public Utilities Board applications will calculate the required Basic Autopac rates, based on the old allocation basis until such time as the Public Utilities Board approves the use of the new methodology for Basic ratemaking.

ROAD SAFETY

Last year, Manitobans were invited to share their views on the Corporation's role in the area of road safety. There was strong recognition that Manitoba Public Insurance has unique insight into road safety issues, given our experience and knowledge of drivers and their related claims and road safety behaviour.

There are many aspects of Road Safety. A key educational component is our High School Driver Education Program, which attracts more than 12,000 new teen drivers annually. Manitoban parents rely on Manitoba Public Insurance to teach their children about the rules of the road through this training program.

As our communities continue to grow, Manitoba Public Insurance recognizes the need to adopt new approaches, learning curriculum and technologies to meet the needs of Manitoba's diverse population.

Going forward, we are committed to developing an inclusive, world-class High School Driver Education program as we strengthen and expand our various road safety programs and services, answering the call of Manitobans.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards. 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 International Financial Reporting Standards.

M. J. McLaren
President and Chief Executive Officer

H. D. Reichert, CA
Vice-President, Finance and Chief Financial Officer

May 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the accompanying financial statements of Manitoba Public Insurance Corporation, which comprise the Statements of Financial Position as at February 29, 2012, February 28, 2011 and March 1, 2010, the Statements of Operations, Comprehensive Income, Changes in Equity and Cash Flows for the years ended February 29, 2012 and February 28, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Public Insurance Corporation as at February 29, 2012, February 28, 2011 and March 1, 2010, and its financial performance and its cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
May 31, 2012

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 Statement of Financial Position at February 29, 2012 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

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

Joe S. Cheng
Fellow, Canadian Institute of Actuaries
Toronto, Canada
May 31, 2012

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	Notes	February 29, 2012	February 28, 2011[1]	March 1, 2010 [1]
Assets				
Cash and investments	4	**1,550,606**	1,776,096	1,804,144
Equity investments	4	**502,675**	526,972	387,092
Investment property	4&5	**190,990**	123,521	38,541
Due from other insurance companies	6	**2,545**	11,971	10,656
Accounts receivable		**304,155**	292,035	289,711
Prepaid expenses		**996**	949	981
Deferred policy acquisition costs	7	**40,547**	46,950	43,143
Reinsurers' share of unearned premiums	17	**3,340**	9,760	11,853
Reinsurers' share of unpaid claims	17&18	**31,291**	42,407	59,489
Property and equipment	8	**123,266**	123,137	111,323
Deferred development costs	9	**36,799**	38,232	34,618
		2,787,210	2,992,030	2,791,551
Liabilities				
Due to other insurance companies	10	**5,791**	13,386	23,386
Accounts payable and accrued liabilities	11	**57,849**	361,579	49,482
Financing lease obligation	12	**4,536**	4,586	–
Unearned premiums and fees	14	**479,592**	460,587	449,554
Provision for employee current benefits	15	**21,109**	19,174	18,833
Provision for employee future benefits	16	**301,261**	257,812	226,834
Provision for unpaid claims	17&18	**1,485,445**	1,441,145	1,628,528
		2,355,583	2,558,269	2,396,617
Equity				
Retained Earnings				
Basic Insurance Retained Earnings				
Rate Stabilization Reserve		**155,700**	140,525	154,000
Retained Earnings		**57,983**	–	89,348
Information Technology Optimization Fund	20	**–**	65,000	–
		213,683	205,525	243,348
Non-Basic Retained Earnings				
Retained Earnings		**139,060**	101,457	87,744
Extension Development Fund	21	**20,769**	43,227	48,279
		159,829	144,684	136,023
		373,512	350,209	379,371
Accumulated Other Comprehensive Income	22	**58,115**	83,552	15,563
Total Equity		**431,627**	433,761	394,934
		2,787,210	2,992,030	2,791,551

[1] Refer to Note 33 for effects of adopting IFRS

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

Approved by the Board of Directors:

Jake Janzen
Chairperson

Kerry Bittner
Vice-Chairperson

STATEMENTS OF OPERATIONS

For the years ended

(in thousands of Canadian dollars)	Notes	February 29, 2012	February 28, 2011 [1]
Earned Revenues			
Gross premiums written		**967,565**	941,378
Premiums ceded to reinsurers		**(8,025)**	(11,654)
Net premiums written		**959,540**	929,724
Increase (decrease) in gross unearned premiums		**(17,735)**	(8,726)
Increase (decrease) in reinsurers' share of unearned premiums		**(6,420)**	(2,093)
Net premiums earned		**935,385**	918,905
Service fees and other revenue	*23*	**25,046**	22,330
The Drivers and Vehicles Act operations recovery	*24*	**27,325**	20,995
Total Earned Revenues		**987,756**	962,230
Claims Costs			
Direct claims incurred		**710,002**	421,828
Claims incurred ceded to reinsurers		**(8,152)**	(3,417)
Net claims incurred		**701,850**	418,411
Claims expense		**132,325**	110,857
Loss prevention/Road safety		**15,828**	18,052
Total Claims Costs		**850,003**	547,320
Expenses			
Operating		**113,554**	117,104
Commissions		**77,437**	78,510
Premium taxes		**28,071**	18,329
Regulatory/Appeal		**3,457**	4,109
Total Expenses		**222,519**	218,052
Underwriting income (loss)		**(84,766)**	196,858
Investment income	*4*	**118,975**	95,658
Gain on disposal of property		**3,214**	–
Net income (loss) from annual operations	*25*	**37,423**	292,516
Surplus distribution	*26*	**(14,120)**	(321,678)
Net income (loss) after surplus distribution	*25*	**23,303**	(29,162)

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended

(in thousands of Canadian dollars)	Notes	February 29, 2012	February 28, 2011 [1]
Net income (loss) after surplus distribution	*25*	**23,303**	(29,162)
Other Comprehensive Income (Loss)			
Unrealized gains (losses) on Available for Sale assets	*22*	**(23,310)**	85,227
Reclassification of net realized (gains) losses related to Available for Sale assets	*22*	**(2,127)**	(17,238)
Other Comprehensive Income (Loss) for the period		**(25,437)**	67,989
Total Comprehensive Income (Loss)		**(2,134)**	38,827

[1] Refer to Note 33 for effects of adopting IFRS

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

STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)	Basic			Non-Basic		Corporate		
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	IT Optimization Fund (ITOF)	Retained Earnings (NB-RE)	Extension Development Fund (EDF)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance at March 1, 2010 (Note 33)	154,000	89,348		87,744	48,279	379,371	15,563	394,934
Net income (loss) after surplus distribution for the year		(37,823)		8,661		(29,162)		(29,162)
Other comprehensive income (loss) for the year							67,989	67,989
Transfer between RSR, B-RE & ITOF	(13,475)	(51,525)	65,000					
Transfer between NB-RE & EDF				5,052	(5,052)			
Balance at February 28, 2011	140,525	–	65,000	101,457	43,227	350,209	83,552	433,761
Net income (loss) after surplus distribution for the year		8,158		15,145		23,303		23,303
Other comprehensive income (loss) for the year							(25,437)	(25,437)
Transfer between RSR & B-RE	15,175	(15,175)						
Transfer between B-RE & ITOF		65,000	(65,000)					
Transfer between NB-RE & EDF				22,458	(22,458)			
Balance at February 29, 2012	155,700	57,983	–	139,060	20,769	373,512	58,115	431,627

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

STATEMENTS OF CASH FLOWS

For the years ended

(in thousands of Canadian dollars)	Notes	February 29, 2012	February 28, 2011 [1]
Cash Flows from (to) Operating Activities:			
Net income (loss) after surplus distribution		**23,303**	(29,162)
Non-cash items:			
Depreciation of property and equipment		**6,747**	7,600
Amortization of deferred development costs		**8,406**	5,594
Amortization of bond discount and premium		**4,911**	4,939
(Gain) loss on sale of investments		**(41,831)**	(32,796)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**(26,122)**	3,653
Unrealized (gain) loss on investment in real estate		**(15,631)**	(3,455)
Unrealized (gain) loss on investment in infrastructure		**(645)**	–
Write-down of investments		**13,599**	736
		(27,263)	(42,891)
Net change in non-cash balances:			
Due from other insurance companies		**9,426**	(1,315)
Accounts receivable and prepaid expenses		**(12,167)**	(2,292)
Deferred policy acquisition costs		**6,403**	(3,807)
Reinsurers' share of unearned premiums and unpaid claims		**17,536**	19,175
Due to other insurance companies		**(7,596)**	(10,000)
Accounts payable and accrued liabilities		**(303,730)**	312,097
Unearned premiums and fees		**19,005**	11,033
Provision for employee current benefits		**1,935**	340
Provision for employee future benefits		**43,449**	30,978
Provision for unpaid claims		**44,300**	(187,383)
		(181,439)	168,826
		(208,702)	125,935
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(1,093,650)**	(1,221,086)
Proceeds from sale of investments		**1,386,583**	1,091,854
Acquisition of property and equipment net of proceeds from disposals		**(6,876)**	(19,414)
Financing lease obligation		**(50)**	4,586
Deferred development costs incurred		**(6,973)**	(9,208)
		279,034	(153,268)
Increase (decrease) in Cash and Short-Term Investments		**70,332**	(27,333)
Cash and short-term investments beginning of year		**65,556**	92,889
Cash and Short-Term Investments End of Year	4	**135,888**	65,556

Supplemental Cash Flow Information

Interest received	**35,389**	52,734
Dividends received	**12,570**	10,037

[1] No significant presentation differences have been made to the Statements of Cash Flows upon transition to IFRS. Refer to Note 33 for effects of adopting IFRS

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

NOTES TO FINANCIAL STATEMENTS

1. STATUS OF CORPORATION

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

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk 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 (Note 3). For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations (Note 27), the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business rates are approved by the Public Utilities Board of Manitoba (Note 34).

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

Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Corporation adopted IFRS in accordance with IFRS 1, *First Time Adoption of International Financial Reporting Standards*, and IFRS was first applied at March 1, 2010. These are the Corporation's first financial statements prepared in accordance with IFRS. Previously, Manitoba Public Insurance Corporation's financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP) as issued by the Canadian Institute of Chartered Accountants. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the reported financial position and financial performance of the Corporation is provided in Note 33.

The financial statements were authorized for issue by the Board of Directors on May 31, 2012.

In preparing these financial statements, the Corporation's management has amended certain accounting and measurement methods previously applied under Canadian GAAP in order to comply with IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in Note 33. This note includes the following reconciliations of amounts previously reported under Canadian GAAP with amounts reported under IFRS:

- Statements of operations and comprehensive income for the comparative periods ended February 28, 2011.
- Statements of financial position and changes in equity at the date of transition to IFRS, March 1, 2010 and at the end of the comparative period, February 28, 2011.

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.

Basis of Presentation

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

These statements are presented in thousands of Canadian dollars except as otherwise specified.

Seasonality

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

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments. Measurement of the financial instruments is detailed in Note 4.

Estimates and Judgments

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

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 depreciated over their estimated useful life.

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

- available for sale (AFS)
- held to maturity (HTM)
- financial assets and liabilities at fair value through profit or loss (FVTPL), formerly held for trading (HFT)
- cash and short-term investments, loans and receivables
- other financial liabilities

Corporate investments that are determined to be impaired are written down to their expected recoverable amount. Equity investments, classified as AFS, would be considered impaired if there is objective evidence of a significant or prolonged decline in the fair value of the investment below its cost.

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 Statement of Financial Position 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 impaired. As long as an AFS asset is held and not impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become impaired, the gain or loss is recognized in the Statement of Operations and the amount is deducted from OCI.

Transaction costs related to AFS financial assets are capitalized on initial recognition.

ii) **HTM Financial Assets**

HTM financial assets are carried at amortized cost on the Statement of Financial Position starting on the settlement date.

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

iii) **FVTPL Financial Assets**

FVTPL financial assets are carried at fair value on the Statement of Financial Position starting on the settlement date and the changes in fair value are recorded in the Statement of Operations.

The fair value of FVTPL 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 FVTPL 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 2.0% 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 AFS.

Impairment of Financial Assets

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

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

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

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

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

When an AFS asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

Derecognition of Financial Assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

All financial liabilities are designated as other financial liabilities and are recorded in the Statement of Financial Position at amortized cost. Financial liabilities include:

- Due to other insurance companies and accounts payable and accrued liabilities which are all current liabilities.
- Financing lease obligation which is a non-current liability, payable over the life of the lease.

The carrying value of the Corporation's financial liabilities approximates their fair value.

Fair Value Determination

The fair values 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. Refer to Note 4 for further information on the fair value of financial instruments.

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

• computer equipment	3 years
• vehicles	5 years
• furniture and equipment	10 years
• HVAC systems	20 years
• land improvements	25 years
• roofing systems	30 years
• elevators/escalators	30 years
• buildings	40 years

Buildings held under a long-term lease arrangement are depreciated on a straight-line basis over 40 years.

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

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

Investment Property (Non-Financial Instruments)

In the determination of what constitutes investment property relative to property and equipment, the Corporation has considered the intended use of the property, the ability to sell the property, and the ability of the Corporation to lease the property or a portion of the property under a finance lease.

The Corporation's investment property, which is property held to earn rentals and/or capital appreciation, is measured initially at its cost, including transaction costs. The Corporation has elected to use the cost model to subsequently value its investment property. Therefore, the investment property's carrying amount is valued at cost less accumulated depreciation and impairment losses. Depreciation is based on the useful life of each component of the investment property along with the property's residual value. The Corporation assesses its investment property for impairment on an annual basis in accordance with the impairment test guidance set forth in IAS 36, *Impairment of Assets*.

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

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

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

Deferred Development Costs (Intangible Assets)

The costs of developing major information systems that are expected to provide an economic benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

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

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

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

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

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

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

MANITOBA PUBLIC INSURANCE AS A LESSEE

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

MANITOBA PUBLIC INSURANCE AS A LESSOR

Manitoba Public Insurance leases retail, office and parking space to various food chains, stores, offices and individuals in cityplace properties, a building and parking facilities owned by the Corporation. All of these leases are considered operating leases.

Revenue

PREMIUMS

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

UNEARNED PREMIUMS

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

INTEREST REVENUE

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

DIVIDEND INCOME

Dividend income from investments is recognized when the Corporation's rights to receive payments is established.

REALIZED GAINS AND LOSSES

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

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

UNREALIZED GAINS AND LOSSES

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

Provisions

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

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

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

PROVISION FOR EMPLOYEE CURRENT BENEFITS

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

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.

The Corporation values its pension benefit plan at December 31, 2011. Roll-forward procedures are performed to ensure that the December 31, 2011 valuation is a reliable estimate of the valuation at February 29, 2012.

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. Changes in experience gains and losses are recognized in the current period.

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

PROVISION FOR UNPAID CLAIMS

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

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

LIABILITY ADEQUACY TEST

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

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.

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, call centre statistics, premiums written ratios and claims incurred ratios. The basis for allocation of indirect shared expenses is approved by the Board of Directors.

iii. The allocation of improvement initiative costs is based on a review of each project to determine which line of business will benefit from the project. The allocation basis for each project is approved by the Board of Directors.

Reinsurance Ceded

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

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

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 or losses arising on translation are charged to operations in the current year.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in other 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, program costs incurred are being funded through normal operations.

Information Technology Optimization Fund

In 2010/2011, the Corporation's Board of Directors authorized the appropriation of $75.0 million from Retained Earnings of the Corporation to fund costs for Information Technology (IT) optimization projects. In 2011/2012, the Corporation's Board of Directors approved the transfer of $65.0 million from the IT Optimization Fund back to Basic Retained Earnings and $10.0 million from the Extension Development Fund back to Extension Retained Earnings, eliminating the funds established for IT optimization projects. Management has been authorized to enter into an agreement to have Data Centre Optimization services provided by a third party. Given this agreement, the nature of the IT optimization costs has changed from being capital intensive to an annual management service fee. Consequently, the IT Optimization Fund is no longer required.

Extension Development Fund

The Extension Development Fund (EDF) is an appropriation from the non-Basic 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 and non-Basic lines of business. Non-Basic lines of business consists of Extension and Special Risk Extension lines of business and *The Drivers and Vehicles Act* operations.

Comprehensive Income

Comprehensive income consists of net income (loss) after surplus distribution and other comprehensive income (loss). Changes in unrealized gains and losses on financial assets classified as AFS, and related changes in unrealized foreign exchange currency translation amounts are recorded in other comprehensive income, and included in accumulated other comprehensive income until recognized in the Statement of Operations. Accumulated other comprehensive income is included on the Statement of Financial Position as a separate component.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Corporation must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment of accounts receivable. At February 29, 2012 the allowance for doubtful accounts on accounts receivable is $7.1 million (Note 31).

DEFERRED DEVELOPMENT COSTS (INTANGIBLE ASSETS)

Deferred development costs represent $36.8 million of total assets on the Statement of Financial Position at February 29, 2012 (Note 9). A significant portion of ongoing expenditures relate to information systems development. Management estimates the expected period of benefit over which capitalized costs will be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and customer service requirements, as well as historical experience and internal plans for the projected use of the information systems.

PROVISION FOR UNPAID CLAIMS

The Appointed Actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the policy liabilities and to provide an opinion to the Corporation's Board of Directors regarding their appropriateness at the reporting date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations.

Provisions for unpaid claims and adjustment expenses are valued based on Canadian accepted actuarial practice, which are designed to ensure the Corporation establishes an appropriate reserve on the Statement of Financial Position to cover insured losses with respect to the reported and unreported claims incurred as of the end of each accounting period and claims expenses. The policy liabilities include a provision for unpaid claims and adjustment expenses on the expired portion of policies and of future obligations on the unexpired portion of policies. In performing the valuation of the liabilities for these contingent future events, the Appointed Actuary makes assumptions as to future loss ratios, trends, reinsurance recoveries, investment rates of return, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies.

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by the Corporation on an ongoing basis to reflect recent and emerging trends in experience.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY (NON-FINANCIAL INSTRUMENTS)

The Corporation estimates the useful life and residual value for all Property and Equipment and Investment Property which include all significant components.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

The Corporation has a defined benefit pension plan, severance benefit plan and a post retirement extended health benefit plan. The determination of expense and liability associated with employee future benefits requires the use of critical assumptions such as discount rates, expected mortality rate, inflation rates, expected salary increases and expected health care cost increases. Due to the nature of the estimates used in the valuation process there is inherent measurement uncertainty within the employee future benefit assumptions. See Note 16 for further details of the significant estimates and changes impacting the current period financial statements.

FAIR VALUE OF LEVEL THREE AFS AND FVTPL INVESTMENTS

Due to the nature of Level 3 investments, they are valued using an approved valuation technique which requires the use of significant assumptions such as discount rates and volatility of future cash flows. Management considers current market information when selecting a discount rate and estimating the future cash flows related to each internally valued financial asset. See Note 4 for further details of valuation methods and assumptions.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments, apart from those involving estimations that management have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Held to Maturity Investments

Management has classified certain municipal, hospital and school bonds as held to maturity. The assessment of the Corporation's intent and ability to hold these investments until maturity is a matter of judgment. To determine the Corporation's intent and ability to hold the investment until maturity, management considers internal investment policies, documented risk management policies, and the overall financial performance of the Corporation.

Leases

The Corporation enters into leasing arrangements for general business purposes. The assessment of when substantially all of the significant risks and rewards of ownership of leased assets are transferred is a matter of judgment. This judgment impacts the Corporation's classification of leases as operating relative to financing leases.

Future Changes in Accounting Policy and Disclosure

The International Accounting Standards Board (IASB) issued IFRS 9, *Financial Instruments* in November 2009. This standard is the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard is to reduce complexity compared to IAS 39. The Standard is effective for annual periods beginning on or after January 1, 2015. Restatement of comparative period financial statements is not required on initial application.

In May, 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This standard sets out, in a single IFRS, a framework to measure fair value and requires disclosures about fair value measurement. The Standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The IASB issued amendments to IAS 19, *Employee Benefits* in June, 2011. The amendments will improve the recognition and disclosure requirements for defined benefit plans. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Also in June, 2011, the IASB issued amendments to IAS 1, *Financial Statement Presentation* which improves how components of other comprehensive income are presented. The new requirements are effective for annual periods beginning on or after July 1, 2012.

The IASB is undertaking Phase II of the Insurance Contracts project to develop a standard to replace the interim IFRS 4, *Insurance Contracts* that was developed in Phase I. The revised exposure draft of the new IFRS is planned to occur in 2012 with an effective date to be confirmed.

4. INVESTMENTS

Cash consists of cash net of cheques issued in excess of amounts on deposit. There is no amount held in trust on behalf of other insurance companies included in cash and short-term investments (2011 – nil).

Short-term investments have a total principal amount of $146,359,000 (2011 – $59,732,000) comprised of provincial short-term deposits with effective interest rates of 0.86% (2011 – 0.85%), 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 29, 2012.

Cash and Investments

(in thousands of Canadian dollars)

As at February 29, 2012	Financial Instruments: Classified as Available for Sale	Financial Instruments: Classified as Held to Maturity	Financial Instruments: Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Carrying Value
Cash and short-term investments	**135,888**				**135,888**
Bonds					
Federal			**121,282**		**121,282**
Manitoba:					
Provincial			**289,926**		**289,926**
Municipal		**17,591**	**36,952**		**54,543**
Hospitals			**12,482**		**12,482**
Schools		**490,157**			**490,157**
Other provinces:					
Provincial			**319,976**		**319,976**
Municipal			**58,034**		**58,034**
Corporations			**49,957**		**49,957**
	–	**507,748**	**888,609**	**–**	**1,396,357**
Other investments	**6,771**				**6,771**
Infrastructure			**11,590**		**11,590**
Cash and investments	**142,659**	**507,748**	**900,199**	**–**	**1,550,606**
Equity investments	**502,675**				**502,675**
Investment property			**154,086**	**36,904**	**190,990**
	645,334	**507,748**	**1,054,285**	**36,904**	**2,244,271**

(in thousands of Canadian dollars)

As at February 28, 2011	Financial Instruments: Classified as Available for Sale	Financial Instruments: Classified as Held to Maturity	Financial Instruments: Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Carrying Value
Cash and short-term investments	65,556				65,556
Bonds					
Federal			359,113		359,113
Manitoba:					
Provincial			314,930		314,930
Municipal		20,347	38,367		58,714
Hospitals			12,497		12,497
Schools		458,395			458,395
Other provinces:					
Provincial			434,387		434,387
Municipal			36,450		36,450
Corporations			28,928		28,928
	–	478,742	1,224,672	–	1,703,414
Other investments	7,126				7,126
Cash and investments	72,682	478,742	1,224,672	–	1,776,096
Equity investments	526,972				526,972
Investment property			85,799	37,722	123,521
	599,654	478,742	1,310,471	37,722	2,426,589

(in thousands of Canadian dollars)	Financial Instruments				
As at March 1, 2010	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Carrying Value
Cash and short-term investments	92,888				92,888
Bonds					
Federal			374,189		374,189
Manitoba:					
Provincial			343,462		343,462
Municipal		23,598	60,823		84,421
Hospitals			12,901		12,901
Schools		425,182			425,182
Other provinces:					
Provincial			408,012		408,012
Municipal			12,461		12,461
Corporations			42,978		42,978
	–	448,780	1,254,826	–	1,703,606
Other investments	7,650				7,650
Cash and investments	100,538	448,780	1,254,826	–	1,804,144
Equity investments	387,092				387,092
Investment property				38,541	38,541
	487,630	448,780	1,254,826	38,541	2,229,777

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

The following table presents the financial instruments measured at fair value, classified by valuation method.

The three levels have been defined as follows:

Level 1 – Unadjusted quoted market prices of identical assets 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.

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.

(in thousands of Canadian dollars)

As at February 29, 2012	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**75,592**	**799,821**	**13,196**
Infrastructure			**11,590**
Investment property		**154,086**	
Total FVTPL financial assets	**75,592**	**953,907**	**24,786**
AFS financial assets			
Cash and short term investments	**135,888**		
Other investments			**6,771**
Equity investments	**502,675**		
Total AFS financial assets	**638,563**	**–**	**6,771**
Total assets measured at fair value	**714,155**	**953,907**	**31,557**

(in thousands of Canadian dollars)

As at February 28, 2011	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	195,425	1,015,893	13,354
Infrastructure			
Investment property		85,799	
Total FVTPL financial assets	195,425	1,101,692	13,354
AFS financial assets			
Cash and short term investments	65,556		
Other investments			7,126
Equity investments	526,972		
Total AFS financial assets	592,528	–	7,126
Total assets measured at fair value	787,953	1,101,692	20,480

(in thousands of Canadian dollars)

As at March 1, 2010	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	364,915	876,640	13,271
Infrastructure			
Investment property			
Total FVTPL financial assets	364,915	876,640	13,271
AFS financial assets			
Cash and short term investments	92,888		
Other investments			7,650
Equity investments	387,092		
Total AFS financial assets	479,980	–	7,650
Total assets measured at fair value	844,895	876,640	20,921

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2012**	2011	**2012**	2011
Balance at March 1	**13,354**	13,271	**7,126**	7,650
Total gains/(losses)				
Included in net income	**(158)**		**(1,489)**	(595)
Included in other comprehensive income		83	**1,294**	1,062
Purchases	**11,590**		**120**	156
Sales			**(280)**	(1,147)
Balance at February 29/28	**24,786**	13,354	**6,771**	7,126

Impairment

Impaired investments included in the Corporation's portfolio include the following:

(in thousands of Canadian dollars)

As at February 29, 2012	Gross	Impaired	Net
By investment type			
Available for sale	**30,044**	**(13,599)**	**16,445**
	30,044	**(13,599)**	**16,445**

(in thousands of Canadian dollars)

As at February 28, 2011	Gross	Impaired	Net
By investment type			
Available for sale	1,314	(736)	578
	1,314	(736)	578

(in thousands of Canadian dollars)

As at March 1, 2010	Gross	Impaired	Net
By investment type			
Available for sale	9,622	(3,061)	6,561
	9,622	(3,061)	6,561

Investment Income

(in thousands of Canadian dollars)	2012	2011
Interest income	**37,914**	53,761
Gain (loss) on sale of Fair Value Through Profit or Loss bonds	**39,704**	14,821
Unrealized gain (loss) on Fair Value Through Profit or Loss bonds	**26,122**	(3,653)
Unrealized gain (loss) on investment property	**15,631**	3,455
Gain (loss) on infrastructure investments	**519**	
Unrealized gain (loss) on infrastructure investments	**645**	
Dividend income	**12,444**	10,191
Gain (loss) on sale of equities	**2,126**	18,352
Gain (loss) on foreign exchange	**(1)**	81
Income from investment property	**1,502**	2,509
Write-down of investments	**(13,599)**	(736)
Investment management fees	**(4,032)**	(3,123)
Total	**118,975**	95,658

Income from investment property consists of gross rental income of $11,022,000 (2011 – $10,905,000) and gross rental expenses of $9,520,000 (2011 – $8,396,000).

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.0 million (2011 – $3.1 million). This includes $2.7 million (2011 – $1.8 million) of fees the province paid to outside managers on the Corporation's behalf.

5. INVESTMENT PROPERTY – NON-FINANCIAL INSTRUMENTS

(in thousands of Canadian dollars)	Cityplace Building*	Adjacent Surface Parking Lots	Adjacent Parkade	Total
Cost				
Balance at March 1, 2010	23,822	4,578	10,822	39,222
Additions				
Balance at February 28, 2011	23,822	4,578	10,822	39,222
Additions				
Balance at February 29, 2012	23,822	4,578	10,822	39,222
Accumulated Depreciation				
Balance at March 1, 2010	495		186	681
Depreciation	596		223	819
Balance at February 28, 2011	1,091		409	1,500
Depreciation	595		223	818
Balance at February 29, 2012	1,686	–	632	2,318
Carrying Amounts				
At March 1, 2010	23,327	4,578	10,636	38,541
At February 28, 2011	22,731	4,578	10,413	37,722
At February 29, 2012	22,136	4,578	10,190	36,904
Fair Value at February 29, 2012	34,192	6,600	10,250	51,042

* Includes the portion of the cityplace building not used for administrative purposes

6. DUE FROM OTHER INSURANCE COMPANIES

(in thousands of Canadian dollars)	**2012**	2011
Balance at March 1	**11,971**	10,656
Claims paid ceded to reinsurers	**3,969**	20,499
Less: recovery from reinsurers	**(13,395)**	(19,184)
Balance at February 29/28	**2,545**	11,971

7. DEFERRED POLICY ACQUISITION COSTS

(in thousands of Canadian dollars)	Premium Taxes		Commissions		Writedowns		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Balance at March 1	**12,770**	12,508	**34,741**	32,040	**(561)**	(1,405)	**46,950**	43,143
Deferred during the year	**28,603**	18,591	**77,017**	81,211			**105,620**	99,802
Expensed during the year	**(28,071)**	(18,329)	**(77,437)**	(78,510)			**(105,508)**	(96,839)
Write-down (reverse write-down)					**(6,515)**	844	**(6,515)**	844
Balance at February 29/28	**13,302**	12,770	**34,321**	34,741	**(7,076)**	(561)	**40,547**	46,950

Premium deficiencies are recognized first by writing down deferred policy acquisition costs with any remainder recognized as a liability. Refer to Note 3 for more information.

8. PROPERTY AND EQUIPMENT

(in thousands of Canadian dollars)	Land & Buildings [1]	Furniture & Equipment [2]	Property under Finance Lease [3]	Property under Construction [4]	Total
Cost					
Balance at March 1, 2010	85,239	66,928		33,976	186,143
Additions	8,427	3,746	1,253	6,014	19,440
Disposals		(722)		(10)	(732)
Transfer from (out of) Property under Construction	21,379		12,162	(33,541)	
Balance at February 28, 2011	115,045	69,952	13,415	6,439	204,851
Additions	2,344	3,791	25	1,889	8,049
Disposals	(2,944)	(1,010)			(3,954)
Transfer from (out of) Property under Construction	4,532			(4,532)	
Balance at February 29, 2012	118,977	72,733	13,440	3,796	208,946
Accumulated Depreciation					
Balance at March 1, 2010	17,991	56,829			74,820
Disposals		(706)			(706)
Depreciation	2,639	4,654	307		7,600
Balance at February 28, 2011	20,630	60,777	307	–	81,714
Disposals	(2,073)	(708)			(2,781)
Depreciation	3,028	3,383	336		6,747
Balance at February 29, 2012	21,585	63,452	643	–	85,680
Carrying Amounts					
At March 1, 2010	67,248	10,099		33,976	111,323
At February 28, 2011	94,415	9,175	13,108	6,439	123,137
At February 29, 2012	97,392	9,281	12,797	3,796	123,266

(1) Includes land, land improvements, leasehold improvements and building components: elevators, escalators, HVAC systems, roofing systems.
(2) Includes furniture, equipment, computer equipment and vehicles.
(3) Includes property located at 1284 Main Street in Winnipeg held under a financing lease. Refer to Note 12 for financing lease obligations.
(4) The Corporation is in the process of restoring the parkade in cityplace. Refer to Note 28 for commitments.

9. DEFERRED DEVELOPMENT COSTS

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2010	67,082
Additions	9,208
Balance at February 28, 2011	76,290
Additions	6,973
Balance at February 29, 2012	83,263
Accumulated Amortization	
Balance at March 1, 2010	32,464
Amortization expense	5,594
Balance at February 28, 2011	38,058
Amortization expense	8,406
Balance at February 29, 2012	46,464
Carrying Amounts	
At March 1, 2010	34,618
At February 28, 2011	38,232
At February 29, 2012	36,799

10. DUE TO OTHER INSURANCE COMPANIES

(in thousands of Canadian dollars)	2012	2011
Balance at March 1	**13,386**	23,386
Increase (decrease) in reinsurance ceded premiums written less installment payments	**(6,271)**	(3,789)
Increase (decrease) in amounts received as collateral for reinsurers' share of unpaid claims	**(1,324)**	(6,211)
Balance at February 29/28	**5,791**	13,386

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	February 29, 2012	February 28, 2011	March 1, 2010
Due to the Province of Manitoba	**8,959**	7,727	9,401
Surplus distribution		321,678	
Payroll	**1,387**	558	111
Broker commissions	**10,488**	9,996	7,187
Provision for fleet rebates	**10,496**	9,919	9,558
International Registration Program payable to other jurisdictions	**2,502**	1,564	2,055
Other payables and accrued liabilities	**24,017**	10,137	21,170
	57,849	361,579	49,482

12. FINANCING LEASE OBLIGATION

On March 29, 2010 a new Service Centre built on land in Winnipeg at 1284 Main Street became operational. The Service Centre and land are owned by a third-party and are leased to the Corporation. The provisions of the lease include an initial term of 25 years and, at the Corporation's option, three further terms of five years each. In accordance with IAS 17, *Leases*, the land portion has been recorded as an operating lease and the building portion as a financing lease. The details of the financing lease are as follows:

	2012	2011
Interest rate	**6.70%**	7.12%
Interest expense for the year (in thousands of Canadian dollars)	**307**	301
Financing lease obligation at February 29/28 (in thousands of Canadian dollars)	**4,536**	4,586

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2012**	2011	**2012**	2011
Not later than one year	**356**	357	**343**	344
Later than one year and not later than five years	**1,460**	1,441	**1,275**	1,259
Later than five years	**7,360**	7,735	**4,189**	4,281
Total	**9,176**	9,533	**5,807**	5,884

13. OPERATING LEASES

AS A LESSEE:

The Corporation leases offices in Winnipeg, Brandon, Portage la Prairie, Steinbach and Winkler and vehicles temporarily assigned to certain Corporate employees. These leases are classified as operating leases in accordance with IAS 17, *Leases*. The lease terms for the offices are all under ten years and the lease terms of the vehicles are all under five years. Also classified as an operating lease is the land portion of the Service Centre located at 1284 Main Street in Winnipeg. Refer to Note 12 Financing Lease Obligation. None of the leases are subleased and no contingent rent is payable for any of the lease arrangements.

Non-cancellable operating lease rentals are payable as follows:

(in thousands of Canadian dollars)	**2012**	2011
Not later than one year	**957**	1,068
Later than one year and not later than five years	**1,959**	2,405
Later than five years	**2,679**	3,180
Total	**5,595**	6,653

During the year ended February 29, 2012, $1,040,000 was recognized as an expense for operating leases (2011 - $1,104,000) in the Statement of Operations.

AS A LESSOR:

On May 1, 2009, the Corporation purchased the cityplace property located in downtown Winnipeg including the Cityplace building, two adjacent parking lots and one adjacent parkade. The Cityplace building includes five floors of office space, three floors of parking and two floors of retail space. The Corporation uses approximately 60% of the building for administrative purposes and leases out the remaining 40%. The leases are all classified as operating leases.

Future minimum lease payments under non-cancellable leases to be received are:

(in thousands of Canadian dollars)	**2012**	2011
Not later than one year	**3,129**	3,129
Later than one year and not later than five years	**11,288**	10,879
Later than five years	**5,260**	7,751
Total	**19,677**	21,759

During the year ended February 29, 2012, income from investment property includes gross rental income from operating leases of $11,022,000 (2011 - $10,905,000) and gross rental expenses pertaining to operating leases of $9,520,000 (2011 - $8,396,000). Included in rental income is income contingent on retail sales of $160,000 (2011 - $184,000).

14. UNEARNED PREMIUMS AND FEES

		2012		2011
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	Gross	Reinsurers' Share
Unearned premiums				
Balance at March 1	**425,652**	**9,760**	416,926	11,853
Premiums written	**967,565**	**8,025**	941,378	11,654
Premiums earned	**(949,830)**	**(14,445)**	(932,652)	(13,747)
Balance at February 29/28	**443,387**	**3,340**	425,652	9,760
Prepaid premiums	**31,922**		31,094	
Unearned fees	**4,283**		3,841	
Balance at February 29/28	**479,592**	**3,340**	460,587	9,760

(in thousands of Canadian dollars)	**February 29, 2012**	February 28, 2011	March 1, 2010
Unearned premiums – gross	**443,387**	425,652	416,926
Prepaid premiums	**31,922**	31,094	29,296
Unearned fees	**4,283**	3,841	3,332
	479,592	460,587	449,554

15. PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes banked vacation, accrued vacation and sick leave liabilities.

(in thousands of Canadian dollars)	**2012**	2011
Balance at March 1	**19,174**	18,833
Provisions	**16,434**	12,944
Payments	**(14,499)**	(12,603)
Balance at February 29/28	**21,109**	19,174

16. 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, 2011, with the next scheduled actuarial valuation being December 31, 2012.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. Results from the most recent actuarial valuations, projected to February 29/28 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2012	2011	**2012**	2011
Discount rate	**4.20%**	4.85%	**4.20%**	4.85%
Inflation rate	**2.00%**	2.00%		
Expected salary increase	**2.90%**	2.90%		
Expected health care cost increase			**6.00%**	6.50%

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**2012**	2011	**2012**	2011
Balance at March 1	**218,872**	189,113	**38,940**	37,721
Current service cost	**10,773**	9,318	**3,819**	4,824
Interest cost	**10,631**	9,990	**738**	764
Benefits paid	**(6,591)**	(5,980)	**(2,668)**	(3,537)
Actuarial (gains) losses	**26,730**	16,431	**17**	(832)
Balance at February 29/28	**260,415**	218,872	**40,846**	38,940
Employee contribution for the year	**6,603**	6,387	**–**	–

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.

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**2012**	2011	**2012**	2011
Current service cost	**10,773**	9,318	**3,820**	4,824
Interest cost	**10,631**	9,990	**738**	764
Actuarial (gains) losses pertaining to interest	**16,840**	10,352		
Actuarial (gains) losses pertaining to expenses	**9,890**	6,079	**17**	(832)
	48,134	35,739	**4,575**	4,756

17. INSURANCE CONTRACTS

The following is a summary of the insurance contract provisions and related reinsurance assets as at the end of February, 2012 and 2011 and as at the date of transition to IFRS, March 1, 2010.

(in thousands of Canadian dollars)	**February 29, 2012**	February 28, 2011	March 1, 2010
Gross Insurance Contract Provisions			
Outstanding case reserves	**1,009,538**	990,792	904,884
Provision for incurred but not reported claims	**239,785**	338,816	594,796
Provision for internal loss adjusting expenses	**141,691**	125,405	123,347
Effect of discounting	**(194,697)**	(260,937)	(277,018)
Provision for adverse deviation	**289,128**	247,069	282,519
Total Gross Provision for Unpaid Claims	**1,485,445**	1,441,145	1,628,528
Total Gross Provision for Unearned Premiums	**443,387**	425,652	416,926
Total Gross Insurance Contract Provisions	**1,928,832**	1,866,797	2,045,454
Reinsurance Ceded			
Outstanding case reserves	**27,195**	38,680	53,564
Provision for incurred but not reported claims	**1,817**	506	2,756
Effect of discounting	**(493)**	(462)	(1,619)
Provision for adverse deviation	**2,772**	3,683	4,788
Total Reinsurers' Share of Unpaid Claims	**31,291**	42,407	59,489
Total Reinsurers' Share of Unearned Premiums	**3,340**	9,760	11,853
Total Reinsurers' Share of Insurance Contract Provisions	**34,631**	52,167	71,342
Net Insurance Contract Provisions			
Outstanding case reserves	**982,343**	952,112	851,320
Provision for incurred but not reported claims	**237,968**	338,310	592,040
Provision for internal loss adjusting expenses	**141,691**	125,405	123,347
Effect of discounting	**(194,204)**	(260,475)	(275,399)
Provision for adverse deviation	**286,356**	243,386	277,731
Total Net Provision for Unpaid Claims	**1,454,154**	1,398,738	1,569,039
Total Net Provision for Unearned Premiums	**440,047**	415,892	405,073
Total Net Insurance Contract Provisions	**1,894,201**	1,814,630	1,974,112

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at the end of February, 2012 and 2011 and as at the date of transition to IFRS, March 1, 2010.

(in thousands of Canadian dollars)			**February 29, 2012**
	Gross	**Reinsurance Ceded**	**Net**
Basic	**1,641,690**	**24,313**	**1,617,377**
Extension	**93,823**	**260**	**93,563**
Special Risk Extension	**98,888**	**7,779**	**91,109**
Total undiscounted	**1,834,401**	**32,352**	**1,802,049**
Discounting with Provision for Adverse Deviation	**94,431**	**2,279**	**92,152**
Total Insurance Contract Provisions	**1,928,832**	**34,631**	**1,894,201**

(in thousands of Canadian dollars)			February 28, 2011
	Gross	Reinsurance Ceded	Net
Basic	1,688,301	39,187	1,649,114
Extension	100,167	673	99,494
Special Risk Extension	92,197	9,086	83,111
Total undiscounted	1,880,665	48,946	1,831,719
Discounting with Provision for Adverse Deviation	(13,868)	3,221	(17,089)
Total Insurance Contract Provisions	1,866,797	52,167	1,814,630

(in thousands of Canadian dollars)			March 1, 2010
	Gross	Reinsurance Ceded	Net
Basic	1,828,629	46,981	1,781,648
Extension	103,092	1,943	101,149
Special Risk Extension	108,232	19,249	88,983
Total undiscounted	2,039,953	68,173	1,971,780
Discounting with Provision for Adverse Deviation	5,501	3,169	2,332
Total Insurance Contract Provisions	2,045,454	71,342	1,974,112

18. CLAIMS LIABILITIES

METHODOLOGY AND ASSUMPTIONS

The best estimates of claim liabilities are determined based on a review of the projected ultimate claim liabilities using various standard actuarial techniques. In particular, the techniques used to project ultimate claim liabilities include the incurred loss development method, the paid loss development method, the incurred Bornheutter-Ferguson method, and the paid Bornheutter-Ferguson method. The projected ultimate claim liabilities are then determined by selection of the most appropriate technique by line of business, coverage, and maturity of the accident year.

Loss Development Method

The loss development method projects ultimate claims for each accident year using the reported/paid losses as at the valuation date, and assuming that future development on these losses is similar to prior accident years' development. The underlying assumption of the method is that the reported/paid-to-date losses will continue to develop in a similar manner in the future.

Bornheutter-Ferguson Method

The Bornheutter-Ferguson Method projects ultimate claims for each accident year by adding the expected unreported/unpaid losses to the reported/paid losses as at the valuation date. The expected unreported/unpaid losses are determined as the product of the expected loss ratio and the percent unreported/unpaid, the latter based on the maturity of the accident year. An implicit assumption of this method is that the reported/paid-to-date losses contain no informational value as to the amount of losses yet to be reported/paid.

Claim liabilities are initially determined on an undiscounted gross basis. Ceded claim liabilities are then deducted to determine the claim liabilities on an undiscounted net basis.

By line of business and coverage, losses paid and incurred for the last 19 accident years, on a gross basis, are organized in a triangular form by accident year and development period. Adjustments are made to the triangles for Comprehensive coverage and indexed coverages:

- For Comprehensive coverage, catastrophic losses are removed from the triangles. For the purpose of the valuation, catastrophic losses are defined as losses from a single catastrophic event whereby the incurred losses from the event exceed the Corporation's catastrophe retention level for the applicable accident year. The claim liabilities for these catastrophic losses are evaluated separately.
- For indexed coverages, prior years' losses are brought to current benefit levels so that the loss development factors are unaffected by indexation.

Ratios of loss amounts at successive development years are calculated to build loss development factor triangles. Loss development factors are selected based on observed historical development pattern. Judgment is used whenever there is significant variability in the observed historical development pattern, which happens with coverages with a small number of claims. Judgment is also used, in the absence of available supporting data, to determine tail factors for long-tailed coverages.

The loss data does not include internal loss adjustment expenses (ILAE). As such, a provision for ILAE is determined based on the observed historical ratios of paid ILAE to paid losses. The method assumes that half of the ILAE is paid when the claim is first set up, with the remaining half being paid to maintain the claim. An ILAE ratio is selected based on the observed historical ratios. Half of the selected ratio is applied to case reserves. The full ratio is applied to incurred but not reported (IBNR) losses.

The loss data includes salvage and subrogation. As such, a separate analysis is not performed.

Ceded claim liabilities and net claim liabilities are determined as follows:

- For catastrophe reinsurance, estimates of gross claim liabilities are determined for each catastrophic loss. The net claim liabilities are determined as the gross claim liabilities less the applicable recovery. The ceded claim liabilities are the applicable recovery.
- For casualty reinsurance, aggregate ceded claim liabilities by insurance year are determined taking into consideration discounting, retention levels, and other contract provisions. These liabilities are deducted from gross claim liabilities to determine net claim liabilities.

The undiscounted claim liabilities are adjusted to determine the discounted claim liabilities on an actuarial present value basis. Two adjustments are made to conform to the Actuarial Standards of Practice of the Canadian Institute of Actuaries:

- The undiscounted claim liabilities are discounted based on a selected discount rate, which is determined based on the average duration weighted yield for the Corporation's bond portfolio as at the end of the fiscal year.
- Provisions for adverse deviation are added to the discounted claim liabilities to obtain the discounted claim liabilities on an actuarial present value basis.

The estimates for unearned premium liabilities are also tested to ensure that they are sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

CHANGES IN ASSUMPTIONS

Basic Accident Benefits – Weekly Indemnity Tail

In the February 28, 2011 valuation, the selected tail factor for Basic Accident Benefits – Weekly Indemnity included a 6.00% load. This load was removed in the February 29, 2012 valuation given that virtually all open weekly indemnity claims are fully reserved (after 10 years), and the payment amounts are stable over time. This change decreased the discounted net claim liabilities by $55.0 million.

Change in Discount Rate

The selected discount rate, determined based on the average duration weighted yield for the Corporation's bond portfolio, decreased by 55 basis points between the February 28, 2011 valuation and the February 29, 2012 valuation. This decrease in the selected discount rate increased the discounted net claim liabilities by $76.3 million and ILAE provision by $7.7 million.

Interest Rate Margin for Adverse Deviation

For the year ended February 29, 2012, the average duration weighted yield of the Corporation's bond portfolio decreased from 4.10% to 3.55%. In that same period, Manitoba's inflation rate has averaged 3.00% compared to the Corporation's forecast of 2.00%. In light of the higher than forecasted inflation rate, coupled with the decreasing trend in the average yield, the interest rate margin for adverse deviation was increased by 25 basis points to reflect the higher uncertainty in the selected interest rate. The increase in the interest rate margin increased the discounted net claim liabilities by $32.8 million and ILAE provision by $3.3 million.

Provision for Future Deductible Increase

In the February 28, 2011, valuation, an IBNR provision was included to cover latent glass claims in the event of a deductible increase. This provision was removed for the current valuation, since it was opined that such a provision should not be accrued until an effective date is assured. The removal of this provision decreased the discounted net claim liabilities by $8.9 million.

Internal Loss Adjustment Expense Provision

For the Basic line of business, in light of recent significant decreases in unpaid claims, the methodology for determining the ILAE provision used in the valuation as of February 28, 2011, which compares the paid ILAE to the average of the paid and incurred losses, is no longer appropriate. As such, the methodology has been revised to the paid ILAE to paid losses method. The same change to the methodology is made to the Extension and Special Risk Extension (SRE) lines of business to standardize the approach used.

In addition, in the valuation as of February 28, 2011, the selected ILAE ratio was applied only to "pure" IBNR – the estimated portion of total IBNR reserved for accidents which have not been reported as of the valuation date. For the current valuation, the selected ILAE ratio has been applied to total IBNR, which better recognizes that the ILAE associated with closing long-term claims will likely be greater than that reflected in the historical ratios.

The total effect of both the change in the selected ILAE ratios and applying the selected ILAE ratio to total IBNR is an increase in the ILAE provision of $13.4 million.

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

(in thousands of Canadian dollars) **Balance at February 29, 2012**	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,341,719**	**27,640**	**1,314,079**
Physical Damage	**139,929**	**3,651**	**136,278**
	1,481,648	**31,291**	**1,450,357**
Discontinued Operations - Personal/Commercial Lines	**3,797**		**3,797**
	1,485,445	**31,291**	**1,454,154**

(in thousands of Canadian dollars) Balance at February 28, 2011	Gross	Reinsurers' Share	Net
Automobile Insurance Division			
Liability	1,271,794	37,655	1,234,139
Physical Damage	165,944	4,752	161,192
	1,437,738	42,407	1,395,331
Discontinued Operations - Personal/Commercial Lines	3,407		3,407
	1,441,145	42,407	1,398,738

(in thousands of Canadian dollars) Balance at March 1, 2010	Gross	Reinsurers' Share	Net
Automobile Insurance Division			
Liability	1,481,548	43,313	1,438,235
Physical Damage	143,021	16,176	126,845
	1,624,569	59,489	1,565,080
Discontinued Operations - Personal/Commercial Lines	3,959		3,959
	1,628,528	59,489	1,569,039

CHANGES IN UNPAID CLAIMS AND ILAE PROVISIONS

Gross

(in thousands of Canadian dollars)	2012	2011
Discounted unpaid claims at March 1	**1,315,858**	1,505,308
Effect of discounting and Provision for Adverse Deviation	**14,079**	(5,264)
Undiscounted unpaid claims at March 1	**1,329,937**	1,500,044
Ultimate claims for current accident year	**624,935**	633,832
Payment on current accident year claims	**(383,086)**	(360,672)
Change in ultimate claims from prior accident years	**(76,243)**	(225,093)
Payments on prior accident years claims	**(246,220)**	(218,503)
Undiscounted unpaid claims at February 29/28	**1,249,323**	1,329,608
Effect of discounting and Provision for Adverse Deviation	**94,431**	(13,868)
Discounted unpaid claims at February 29/28	**1,343,754**	1,315,740
ILAE provision	**141,691**	125,405
Total unpaid claims provision	**1,485,445**	1,441,145

Reinsurance Ceded

(in thousands of Canadian dollars)	2012	2011
Discounted unpaid claims at March 1	**42,410**	59,534
Effect of discounting and Provision for Adverse Deviation	**(3,222)**	(3,169)
Undiscounted unpaid claims at March 1	**39,188**	56,365
Ultimate claims for current accident year	**468**	530
Payment on current accident year claims		
Change in ultimate claims from prior accident years	**8,617**	2,797
Payments on prior accident years claims	**(19,261)**	(20,506)
Undiscounted unpaid claims at February 29/28	**29,012**	39,186
Effect of discounting and Provision for Adverse Deviation	**2,279**	3,221
Discounted unpaid claims at February 29/28	**31,291**	42,407
ILAE provision		
Total unpaid claims provision	**31,291**	42,407

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	2012	2011
Discounted unpaid claims at March 1	**1,273,448**	1,445,774
Effect of discounting and Provision for Adverse Deviation	**17,301**	(2,095)
Undiscounted unpaid claims at March 1	**1,290,749**	1,443,679
Ultimate claims for current accident year	**624,467**	633,302
Payment on current accident year claims	**(383,086)**	(360,672
Change in ultimate claims from prior accident years	**(84,860)**	(227,890)
Payments on prior accident years claims	**(226,959)**	(197,997)
Undiscounted unpaid claims at February 29/28	**1,220,311**	1,290,422
Effect of discounting and Provision for Adverse Deviation	**92,152**	(17,089)
Discounted unpaid claims at February 29/28	**1,312,463**	1,273,333
ILAE provision	**141,691**	125,405
Total unpaid claims provision	**1,454,154**	1,398,738

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $286.4 million (2011 – $243.4 million) comprised of a claims development component of $137.6 million (2011 – $135.6 million), an interest rate component of $147.4 million (2011 – $106.0 million) and a reinsurance component of $1.4 million (2011 - $1.8 million).

Net claims incurred and adjustment expenses include no losses from catastrophes in the current fiscal year (2011 – 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.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 29, 2012 are a increase of $0.4 million (2011 – decrease of $0.4 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

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

DEVELOPMENT OF ULTIMATE CLAIMS

	Accident Year					
Gross (in thousands of Canadian dollars)	2008	2009	2010	2011	2012	5 Year Total
Estimate of ultimate claims costs						
At end of accident year	691,105	605,403	641,527	633,832	624,935	
One year later	672,845	591,749	611,578	627,341		
Two years later	669,780	576,028	608,583			
Three years later	638,322	556,758				
Four years later	636,848					
Current estimate of cumulative claims costs	636,848	556,758	608,583	627,341	624,935	3,054,465
Cumulative payments to date	558,501	490,658	507,722	517,708	383,086	2,457,675

	Accident Year					
Net of Reinsurance Ceded (in thousands of Canadian dollars)	2008	2009	2010	2011	2012	5 Year Total
Estimate of ultimate claims costs						
At end of accident year	649,685	604,931	618,906	633,302	624,467	
One year later	632,232	591,300	590,027	626,998		
Two years later	629,452	575,766	586,459			
Three years later	598,086	556,563				
Four years later	595,361					
Current estimate of cumulative claims costs	595,361	556,563	586,459	626,998	624,467	2,989,848
Cumulative payments to date	518,557	490,659	488,081	517,708	383,087	2,398,092

There is uncertainty in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporation's claim liabilities. PIPP claim liabilities are also the most uncertain because of the long term nature of these benefits. A 5.00% increase in net PIPP claim liabilities is equal to approximately $40.0 million. Such a change could occur if the expected future development of payments to lifetime PIPP claimants is higher than anticipated. A 1.00% decrease in the interest rate would increase PIPP claim liabilities by approximately $110.0 million. However, this impact would be largely offset by gains on the Corporation's fixed income portfolio. Changes to assumptions for other coverages or lines of business are considered to be less material.

19. REINSURANCE

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 29, 2012, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (2011 – $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 $16.7 million (2011 – $16.7 million). These arrangements protect the Corporation against losses up to $266.7 million (2011 – $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.

20. INFORMATION TECHNOLOGY OPTIMIZATION FUND

Activity in the Information Technology Optimization Fund includes:

(in thousands of Canadian dollars)	2012	2011
Balance at March 1	**65,000**	
Transfer from (to) Basic Insurance Retained Earnings	**(65,000)**	65,000
Balance at February 29/28	**–**	65,000

See Note 3 for full details of the Extension Developement Fund.

21. EXTENSION DEVELOPMENT FUND

Activity in the Extension Development Fund includes:

(in thousands of Canadian dollars)	2012	2011
Balance at March 1	**43,227**	48,279
Transfer (to) from Non-Basic Retained Earnings for IT optimization projects	**(10,000)**	10,000
Transfer (to) Non-Basic Retained Earnings for program costs	**(12,458)**	(15,052)
Balance at February 29/28	**20,769**	43,227

See Note 3 for full details of the Extension Development Fund.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

(in thousands of Canadian dollars)	Equity Investments	Other Investments	Total AOCI
Balance at March 1, 2010	14,813	750	15,563
Unrealized gains (losses) on AFS assets	84,761	466	85,227
Reclassification of net realized (gains) losses related to AFS assets	(17,833)	595	(17,238)
Balance at February 28, 2011	81,741	1,811	83,552
Unrealized gains (losses) on AFS assets	(24,604)	1,294	(23,310)
Reclassification of net realized (gains) losses related to AFS assets	(2,127)		(2,127)
Balance at February 29, 2012	55,010	3,105	58,115

23. SERVICE FEES AND OTHER REVENUE

(in thousands of Canadian dollars)	2012	2011
Transaction fees	**7,701**	6,363
Time payment fees	**2,578**	2,453
Time payment interest	**12,236**	10,097
Late payment fees	**881**	1,031
Dishonoured payment fees	**771**	696
Identity card/Enhanced identity card fees	**439**	290
Other miscellaneous revenue	**440**	1,400
	25,046	22,330

24. *THE DRIVERS AND VEHICLES ACT* OPERATIONS RECOVERY

Under *The Drivers and Vehicles Act* (DVA), 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 provided funding to the Corporation in the amount of $21.0 million annually, from October, 2004 to March, 2011, to defray the cost borne by the Corporation for DVA operations. Beginning April 1, 2011 the Province of Manitoba increased its payments to the Corporation to $28.0 million per year.

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 Canadian dollars)	**2012**	2011
Vehicle registration fees	**138,082**	130,845
Driver licensing fees	**22,681**	20,990
	160,763	151,835

25. NET INCOME (LOSS) FROM ANNUAL OPERATIONS

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

(in thousands of Canadian dollars)	**2012**	2011
Basic insurance	**22,278**	283,855
Extension insurance	**21,836**	25,199
Special risk extension insurance	**(2,191)**	10,416
The Drivers and Vehicles Act operations	**(4,500)**	(26,954)
	15,145	8,661
Net income (loss) from annual operations	**37,423**	292,516
Surplus distribution	**(14,120)**	(321,678)
Net income (loss) after surplus distribution	**23,303**	(29,162)

26. SURPLUS DISTRIBUTION

During the last quarter of the previous fiscal year, based on the Public Utilities Board Orders 122/10 and 43/11, a surplus distribution of Basic motor vehicle premiums written based on 2009/2010 rates, estimated to be $321.7 million, was recorded. The surplus distribution was actualized in May, 2011 when $318.5 million was paid to Basic policyholders.

On June 6, 2011, in response to customer feedback, the Corporation applied to the Public Utilities Board, requesting that the Board vary its Order 43/11, regarding the distributed rebate. The Corporation requested permission to issue an additional rebate of $16.0 million, estimated to be 5.0% of the original rebate. The most recent rebate, like previous rebates, was calculated on premiums paid in the 2009/2010 insurance year. The Corporation requested that all ratepayers receive the "greater of" calculation based on both premiums paid in fiscal year 2009/2010 and on the 2009/2010 insurance rating year. This would ensure affected customers receive a rebate based on the calculation that was most advantageous to them and eliminated any potential disadvantage based on their particular vehicle or Autopac insurance purchasing decisions.

On June 23, 2011, the additional proposed surplus distribution was approved by the Public Utilities Board in its Order 86/11. The additional surplus was actualized during the third quarter of 2011/2012 when $17.3 million was paid to Basic policyholders.

27. 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 a net loss of $0.2 million (2011 – net income of $0.6 million) which is reported as part of the Special Risk Extension line of business (Note 25). Included in the provision for unpaid claims is $3.8 million (2011 – $3.4 million) relating to discontinued operations.

28. COMMITMENTS

The Corporation has committed $2.5 million for the restoration of the parkade and the construction of a daycare in cityplace.

29. RELATED-PARTY TRANSACTIONS

Key management personnel are comprised of all members of the Board of Directors and the named Executive. The summary of compensation of key management personnel for the year is as follows:

(in thousands of Canadian dollars)	**2012**	2011
Short-term benefits	**1,674**	1,754
Post-employment benefits	**51**	45
Other long-term benefits	**20**	19
Termination benefits	**269**	346
	2,014	2,164

Key management personnel and their close relatives may have insurance policies with the Corporation as required by *The Manitoba Public Insurance Corporation Act*. The terms and conditions of such transactions are the same as those available to all policy holders and employees of the Corporation.

30. 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 one corporate initiative:

> 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. (Refer to Notes 3 and 21 for full details of the Extension Development Fund.)

Basic Retained Earnings are comprised of the Rate Stabilization Reserve (RSR) and Retained Earnings in excess of the RSR. The Corporation's Board of Directors' current target RSR level is $210.0 million based on the 2011 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporation's internal actuary concluded that a minimum RSR level of $210.0 million would be required for Basic to achieve a satisfactory future financial condition. An RSR level lower than $210.0 million would result in a "not satisfactory" opinion because there were plausible adverse scenarios identified where liabilities exceed assets. In 2010, the Corporation began using the maximum of the Public Utilities Board RSR target in its Public Utilities Board rate applications for ratemaking purposes.

The Public Utilities Board of Manitoba, by its Order 162/11, has established the Basic RSR target for rate-setting purposes to be $77.9 million to $155.7 million. The target is reflective of 10.0% to 20.0% of written premiums.

In the same order, the Public Utilities Board agreed that it would revisit the RSR target during the 2013 General Rate Application process.

The Corporation's Board of Directors' current target level for Extension Retained Earnings is $35.0 million based on the 2011 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 2011 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.

31. 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 has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. At February 29, 2012, total U.S. dollar financial instruments had a carry value of $134,951,000 U.S. ($134,330,000 Cdn) which is approximately 5.0% of the Corporation's investment portfolio.

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% return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5% rate based on the U.S. $10,000,000 par value of the bond and receives 5.76% 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 - %	
	2012	2011
Federal	**2.17**	2.34
Provincial	**2.82**	3.32
Municipal	**3.38**	4.14
Hospitals	**2.50**	3.45
Schools	**5.47**	5.67
Corporations	**3.32**	4.93

As at February 29, 2012, 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 $68.7 million (2011 - $82.2 million). As all of the Corporation's marketable fixed income assets are now classified as FVTPL, all changes would affect 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 its unpaid claims liability and therefore, any change in interest rates related to these investments is largely mitigated by 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 29, 2012, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $50.2 million (2011 - $52.7 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 impaired (Refer to Note 3). 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 Statement of Financial Position. The maximum credit exposure is the carrying value of the asset net of any allowance for loss.

(in thousands of Canadian dollars)	**2012**	2011	2010
Bonds	**1,396,357**	1,703,414	1,703,606
Due from other insurance companies	**2,545**	11,971	10,656
Accounts receivable	**304,155**	292,035	289,711
Reinsurance receivable	**27,268**	38,007	49,289
Maximum credit risk exposure on the Statement of Financial Position	**1,730,325**	2,045,427	2,053,262

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 primarily to Moody's Investors Service. All Manitoba municipal, schools and hospitals bonds are backed by the province of Manitoba and, as such, have been assigned the credit rating of the Province of Manitoba Bonds.

	February 29, 2012		February 28, 2011		March 1, 2010	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Aaa	**190,790**	**13.6**	438,066	25.7	421,669	24.7
Aa	**1,158,928**	**83.0**	1,238,750	72.7	1,244,625	73.1
A	**45,446**	**3.3**	25,548	1.5	24,411	1.4
Not rated	**1,193**	**0.1**	1,050	0.1	12,901	0.8
	1,396,357	**100.0**	1,703,414	100.0	1,703,606	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 Canadian dollars)	**February 29, 2012**	February 28, 2011	March 1, 2010
Policy and time payments	**275,706**	264,026	260,983
Accrued interest	**23,202**	25,601	26,783
Subrogation and other receivables	**12,304**	10,895	12,493
Allowance for doubtful accounts	**(7,057)**	(8,487)	(10,548)
	304,155	292,035	289,711

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2012**	2011
Balance at March 1	**8,487**	10,548
Accounts written off	**(1,227)**	(1,653)
Current period provision	**(203)**	(408)
Balance at February 29/28	**7,057**	8,487

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 $3.0 million (2011 – $4.4 million). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place.

For the 2011/2012 fiscal year, nine reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5% to 35.0% on any one layer. The reinsurer exposed to 35.0% of the losses is licensed in Canada by the Office of the Superintendent of Financial Institutions and, therefore, subject to minimum capital requirements.

For the 2011/2012 fiscal year, 15 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 22.0% of the reinsurance exposure on any one layer. The 2011/2012 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 2011/2012 and no allowance for doubtful accounts has been established as at February 29, 2012.

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 Statement of Financial Position date, the present value of expected payments totals $157.0 million (2011 – $138.5 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 Canadian dollars)	Within One Year	One Year To Five Years	After Five Years	Total Carrying Value
				February 29, 2012
Federal	**13,392**	**50,468**	**57,422**	**121,282**
Manitoba				
Provincial	**27,719**	**29,632**	**232,575**	**289,926**
Municipal	**17,013**	**21,680**	**15,850**	**54,543**
Hospitals		**12,482**		**12,482**
Schools	**3,030**	**7,792**	**479,335**	**490,157**
Other Provinces				
Provincial	**41,487**	**41,071**	**237,418**	**319,976**
Municipal		**5,383**	**52,651**	**58,034**
Corporations		**23,574**	**26,383**	**49,957**
	102,641	**192,082**	**1,101,634**	**1,396,357**

(in thousands of Canadian dollars)	Within One Year	One Year To Five Years	After Five Years	Total Carrying Value
				February 28, 2011
Federal		174,452	184,661	359,113
Manitoba				
Provincial	5,089	87,921	221,920	314,930
Municipal	465	40,651	17,598	58,714
Hospitals			12,497	12,497
Schools	3,142	16,130	439,123	458,395
Other Provinces				
Provincial	55,910	135,548	242,929	434,387
Municipal		5,344	31,106	36,450
Corporations	301		28,627	28,928
	64,907	460,046	1,178,461	1,703,414

(in thousands of Canadian dollars)	Within One Year	One Year To Five Years	After Five Years	Total Carrying Value
				March 1, 2010
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

32. NON-CURRENT ASSETS AND LIABILITIES

The following table presents financial assets and liabilities the Corporation expects to recover or settle in 12 months or greater at February 29, 2012, February 28, 2011 and March 1, 2010.

(in thousands of Canadian dollars)	**February 29, 2012**	February 28, 2011	March 1, 2010
Assets:			
Bonds	**1,293,716**	1,638,507	1,666,560
Equity investments	**502,675**	526,972	387,092
Investment property	**154,086**	85,799	
Infrastructure and other investments	**18,361**	7,126	7,650
Reinsurers' share of unpaid claims	**28,427**	37,600	40,992
Total assets	**1,997,265**	2,296,004	2,102,294
Liabilities:			
Financing lease obligation	**4,180**	4,229	
Provision for unpaid claims	**1,228,332**	1,150,790	1,362,278
Total liabilities	**1,232,512**	1,155,019	1,362,278
Net assets due after one year	**764,753**	1,140,985	740,016

33. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Canadian publicly accountable enterprises, including Manitoba Public Insurance, are required to prepare their financial statements, in accordance with International Financial Reporting Standards (IFRS) for periods beginning on or after January 1, 2011. The financial statements included herein have been prepared based on IFRS. Comparative results for the twelve months ended February 28, 2011, previously reported based on Canadian Generally Accepted Accounting Principles (GAAP), have been restated based on IFRS which required the preparation of an opening IFRS Statement of Financial Position on the Corporation's Transition Date to IFRS, March 1, 2010.

No significant presentation differences have been made to the Statement of Cash Flows upon transition to IFRS.

In preparing the financial statements in accordance with IFRS 1, *First-time adoption of IFRS,* retrospective application of IFRS to create or revise estimates is prohibited. Adjustments made to restate items previously prepared in accordance with Canadian GAAP to IFRS are presented in the Reconciliations from Canadian GAAP to IFRS tables below.

IFRS 1, First-time adoption of IFRS – Exemption

IFRS 1 allows for a number of electable exemptions upon first-time adoption to IFRS. The Corporation has elected the following exemptions in preparing its opening March 1, 2010, Statement of Financial Position:

Designation of Financial Instruments – The Corporation has elected to use the IFRS 1 exemption and change the classification of AFS Bonds to FVTPL. The effect of this change is detailed in Note B of the Reconciliations from Canadian GAAP to IFRS tables presented below.

Claims Development – The Corporation has elected to disclose only five years of information related to claims development, in the February 29, 2012 year-end financial statements, consistent with the transition provisions of IFRS 4, *Insurance Contracts* (Note 18). Each subsequent year, the Corporation will add an additional year of disclosure until such time as it is disclosing ten years.

Defined Benefit Plans – The Corporation has elected to disclose only two years of information relating to the present value of the defined benefit obligation and the experience adjustment arising on plan benefits upon transition, in the February 29, 2012 year-end financial statements (Note 16). Each subsequent year, the Corporation will add an additional year of disclosure until such time as it is disclosing five years.

Arrangements Containing a Lease – The Corporation has elected to apply the transitional provision in IFRIC 4, *Determining whether or not an Arrangement contains a Lease.* This election allows the Corporation to use the facts and circumstances that exist at the transition date to determine whether or not arrangements existing at transition date contain a lease.

RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

Statement of Financial Position

as at March 1, 2010 (in thousands of Canadian dollars)	Notes	Canadian GAAP	IFRS Adjustments	IFRS
Assets				
Cash and investments		1,804,144		1,804,144
Equity investments		387,092		387,092
Investment property	*D.*	15,215	23,326	38,541
Due from other insurance companies		10,656		10,656
Accounts receivable		289,711		289,711
Prepaid expenses		981		981
Deferred policy acquisition costs		43,143		43,143
Reinsurers' share of unearned premiums		11,853		11,853
Reinsurers' share of unpaid claims		59,489		59,489
Property and equipment	*D.*	134,649	(23,326)	111,323
Deferred development costs		34,618		34,618
		2,791,551	–	2,791,551
Liabilities				
Due to other insurance companies		23,386		23,386
Accounts payable and accrued liabilities		49,482		49,482
Financing lease obligation				–
Unearned premiums and fees		449,554		449,554
Provision for employee current benefits	*A.*	15,666	3,167	18,833
Provision for employee future benefits		226,834		226,834
Provision for unpaid claims		1,628,528		1,628,528
		2,393,450	3,167	2,396,617
Equity				
Retained Earnings				
Basic Insurance Retained Earnings		154,000		154,000
Rate Stabilization Reserve	*A. & B.*	70,709	18,639	89,348
Retained Earnings				
Information Technology Optimization Fund				
		224,709	18,639	243,348
Non-Basic Retained Earnings				
Retained Earnings	*A. & B.*	85,389	2,355	87,744
Extension Development Fund		48,279		48,279
		133,668	2,355	136,023
		358,377	20,994	379,371
Accumulated Other Comprehensive Income	*B.*	39,724	(24,161)	15,563
Total Equity		398,101	(3,167)	394,934
		2,791,551	–	2,791,551

Statement of Financial Position

as at February 28, 2011 (in thousands of Canadian dollars)	Notes	Canadian GAAP	IFRS Adjustments	IFRS
Assets				
Cash and investments		1,776,096		1,776,096
Equity investments		526,972		526,972
Investment property	*D.*	100,791	22,730	123,521
Due from other insurance companies		11,971		11,971
Accounts receivable		292,035		292,035
Prepaid expenses		949		949
Deferred policy acquisition costs		46,950		46,950
Reinsurers' share of unearned premiums		9,760		9,760
Reinsurers' share of unpaid claims		42,407		42,407
Property and equipment	*D.*	145,867	(22,730)	123,137
Deferred development costs		38,232		38,232
		2,992,030	–	2,992,030
Liabilities				
Due to other insurance companies		13,386		13,386
Accounts payable and accrued liabilities		361,579		361,579
Financing lease obligation		4,586		4,586
Unearned premiums and fees		460,587		460,587
Provision for employee current benefits	*A.*	16,007	3,167	19,174
Provision for employee future benefits		257,812		257,812
Provision for unpaid claims		1,441,145		1,441,145
		2,555,102	3,167	2,558,269
Equity				
Retained Earnings				
Basic Insurance Retained Earnings				
Rate Stabilization Reserve	*A. & B.*	127,880	12,645	140,525
Retained Earnings				
Information Technology Optimization Fund		65,000		65,000
		192,880	12,645	205,525
Non-Basic Retained Earnings				
Retained Earnings	*A. & B.*	99,969	1,488	101,457
Extension Development Fund		43,227		43,227
		143,196	1,488	144,684
		336,076	14,133	350,209
Accumulated Other Comprehensive Income	*B.*	100,852	(17,300)	83,552
Total Equity		436,928	(3,167)	433,761
		2,992,030	–	2,992,030

Statement of Operations

For the year ended February 28, 2011 (in thousands of Canadian dollars)	Notes	Canadian GAAP	IFRS Adjustments	IFRS
Earned Revenues				
Gross premiums written		941,378		941,378
Premiums ceded to reinsurers		(11,654)		(11,654)
Net premiums written		929,724		929,724
Increase (decrease) in gross unearned premiums		(8,726)		(8,726)
Increase (decrease) in reinsurers' share of unearned premiums		(2,093)		(2,093)
Net premiums earned		918,905		918,905
Service fees & other revenue	C. & D.	16,907	5,423	22,330
The Drivers and Vehicles Act operations recovery		20,995		20,995
Total Earned Revenues		956,807	5,423	962,230
Claims Costs				
Direct claims incurred		421,828		421,828
Claims incurred ceded to reinsurers		(3,417)		(3,417)
Net claims incurred		418,411		418,411
Claims expense		110,857		110,857
Loss prevention/Road safety		18,052		18,052
Total Claims Costs		547,320	–	547,320
Expenses				
Operating	C. & D.	109,904	7,200	117,104
Commissions		78,510		78,510
Premium taxes		18,329		18,329
Regulatory/Appeal		4,109		4,109
Total Expenses		210,852	7,200	218,052
Underwriting income (loss)		198,635	(1,777)	196,858
Investment income	B. & D.	100,742	(5,084)	95,658
Gain on disposal of property				
Net income (loss) from annual operations		299,377	(6,861)	292,516
Surplus distribution		(321,678)		(321,678)
Net income (loss) after surplus distribution		(22,301)	(6,861)	(29,162)

Statement of Comprehensive Income (Loss)

For the year ended February 28, 2011 (in thousands of Canadian dollars)	Notes	Canadian GAAP	IFRS Adjustments	IFRS
Net income (loss) after surplus distribution		(22,301)	(6,861)	(29,162)
Other Comprehensive Income (loss)				
Unrealized gains (losses) on Available for Sale assets		84,613	614	85,227
Reclassification of net realized (gains) losses related to Available for Sale assets		(23,485)	6,247	(17,238)
Other Comprehensive Income (loss) for the period	B.	61,128	6,861	67,989
Total Comprehensive Income (loss)		38,827	–	38,827

Statement of Changes in Equity

Retained Earnings

(in thousands of Canadian dollars)	Notes	Basic: Rate Stabilization Reserve	Basic: Retained Earnings	Basic: IT Optimization Fund	Basic: Total Retained Earnings	Non-Basic: Retained Earnings	Non-Basic: Extension Development Fund	Non-Basic: Total Retained Earnings	Corporate: Total Retained Earnings
Balance at February 28, 2010 (GAAP)		154,000	70,709		224,709	85,389	48,279	133,668	358,377
Accounts payable and accrued liabilities – provision for sick leave	*A.*		(2,378)		(2,378)	(789)		(789)	(3,167)
Investments – reclassification from AFS to FVTPL	*B.*		21,017		21,017	3,144		3,144	24,161
Total adjustments		–	18,639	–	18,639	2,355	–	2,355	20,994
Balance at March 1, 2010 (IFRS)		154,000	89,348	–	243,348	87,744	48,279	136,023	379,371
Balance at February 28, 2011 (GAAP)		127,880		65,000	192,880	99,969	43,227	143,196	336,076
Accounts payable and accrued liabilities – provision for sick leave	*A.*	(2,378)			(2,378)	(789)		(789)	(3,167)
Investments – reclassification from AFS to FVTPL	*B.*	15,023			15,023	2,277		2,277	17,300
Total adjustments		12,645	–	–	12,645	1,488	–	1,488	14,133
Balance at February 28, 2011 (IFRS)		140,525	–	65,000	205,525	101,457	43,227	144,684	350,209

Accumulated Other Comprehensive Income

(in thousands of Canadian dollars)	Notes	Bonds	Equity Investments	Other Investments	Total Accumulated Other Comprehensive Income
Balance at February 28, 2010 (GAAP)		24,161	14,813	750	39,724
Investments – reclassification from AFS to FVTPL	*B.*	(24,161)			(24,161)
Balance at March 1, 2010 (IFRS)		–	14,813	750	15,563
Balance at February 28, 2011 (GAAP)		17,300	81,741	1,811	100,852
Investments – reclassification from AFS to FVTPL	*B.*	(17,300)			(17,300)
Balance at February 28, 2011 (IFRS)		–	81,741	1,811	83,552

A. Upon transition to IFRS, a provision for sick leave benefits has been established for $3,167,000. Under IFRS, a provision is required for plans that allow for sick leave entitlements to be carried forward to future years. The provision was calculated based on the average number of employees who receive sick leave benefits in a given year in excess of the plan's entitlement. The plan's current entitlement is one and one-half days of sick leave per month (subject to a doctor's certification in certain instances) for each full time employee. Employees do not receive any payout upon leaving the Corporation for any unused sick leave entitlements accrued. The provision did not materially change between the March 1, 2010 transition date to IFRS and February, 28, 2011 and therefore, no change to the provision was recorded in fiscal year 2010/2011. Under Canadian GAAP, there was no equivalent requirement to establish such a provision.

B. Upon transition to IFRS, the Corporation has elected to change bonds previously classified as AFS to FVTPL as permitted by IFRS 1, *First-Time Adoption of International Financial Reporting Standards*. Under Canadian GAAP, the fair value of AFS bonds was reported in Other Comprehensive Income on the Statement of Comprehensive Income and in Accumulated Other Comprehensive Income (AOCI) on the Balance Sheet. As a result of the election exercised under IFRS 1, the fair value of FVTPL bonds of $24,161,000 was transferred from AOCI to Retained Earnings on March 1, 2010.

   During the year ended February 28, 2011, the fair value of FVTPL bonds decreased by $6,861,000 and is now reported as Investment Income on the Statement of Operations under IFRS. Previously under Canadian GAAP, the bonds were classified as AFS and the decrease in fair value was reported in Other Comprehensive Income on the Statement of Comprehensive Income.

C. As permitted under Canadian GAAP, debit and credit card fees were previously charged against Service Fees and Other Revenue. Under IFRS, debit and credit card fees are charged to Operating Expenses.

   During the year ended February 28, 2011, Service Fees and Other Revenue and Operating Expenses both increased by $7,796,000 as a result of this change. This change has no effect on Net Income (Loss) from Annual Operations.

D. Under Canadian GAAP, the entire cityplace building was classified as Property and Equipment on the Balance Sheet. Under IFRS, the portion of the cityplace building that is not used by the Corporation (40.0%) is classified as Investment Property on the Statement of Financial Position. This change resulted in two adjustments on the Statement of Operations, neither of which has an effect on Net Income (Loss) from Annual Operations.

   i. Under Canadian GAAP, rental income received from the cityplace building was reported as Service Fees and Other Revenue. Under IFRS, rental income from the cityplace building is reported as Investment Income.

      During the year ended February 28, 2011, Service Fees and Other Revenue decreased and Investment Income increased by $2,373,000 as a result of this change.

   ii. Under Canadian GAAP, the related depreciation expense was reported as an Operating Expense. Under IFRS, the related depreciation expense is reported as an offset to Investment Income.

      During the year ended February 28, 2011, Operating Expenses and Investment Income decreased by $596,000 as a result of this change.

34. RATE REGULATION

Under the provisions of *The Crown Corporations Public Review and Accountability Act*, the Public Utilities Board 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 Public Utilities Board.

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

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

MANITOBA PUBLIC INSURANCE LOCATIONS

CUSTOMER SERVICE

WINNIPEG
Tel: 204-985-7000

OUTSIDE WINNIPEG
Tel: 800-665-2410

DEAF ACCESS TTY/TDD
Tel: 204-985-8832

OUT-OF-PROVINCE CLAIMS
Tel: 800-661-6051

ADMINISTRATIVE OFFICES

WINNIPEG
234 Donald Street
Box 6300
R3C 4A4

BRANDON
731-1st Street
R7A 6C3

SERVICE LOCATIONS

WINNIPEG

SERVICE CENTRES
15 Barnes Street
40 Lexington Park
1284 Main Street
930 St. Mary's Road
125 King Edward Street East
1103 Pacific Avenue
420 Pembina Highway

CITYPLACE
Service Centre - Main Floor
ID Verification and Data Integrity
Rehabilitation Management Centre
Serious and Long-Term Case Management Centre
Bodily Injury Centre
234 Donald Street

PHYSICAL DAMAGE CENTRE
Holding Compound/Receiving
Salvage
Commercial Claims
1981 Plessis Road

ARBORG

SERVICE CENTRE
323 Sunset Boulevard

BEAUSEJOUR

SERVICE CENTRE
848 Park Avenue

BRANDON

SERVICE CENTRE
731-1st Street

DAUPHIN

SERVICE CENTRE
217 Industrial Road

FLIN FLON

CLAIM CENTRE
8 Timber Lane

PORTAGE LA PRAIRIE

CLAIM CENTRE
2007 Saskatchewan Avenue West

DRIVER AND VEHICLE LICENSING CENTRE
25 Tupper Street North

SELKIRK

SERVICE CENTRE
1008 Manitoba Avenue

STEINBACH

CLAIM CENTRE
91 North Front Drive

SERVICE CENTRE
165 Park Road West
Clearspring Village Mall, Unit 2

SWAN RIVER

CLAIM CENTRE
125-4th Avenue North

THE PAS

CLAIM CENTRE
424 Fischer Avenue

THOMPSON

SERVICE CENTRE
53 Commercial Place

WINKLER

SERVICE CENTRE
355 Boundary Trail

Manitoba Public Insurance

mpi.mb.ca