

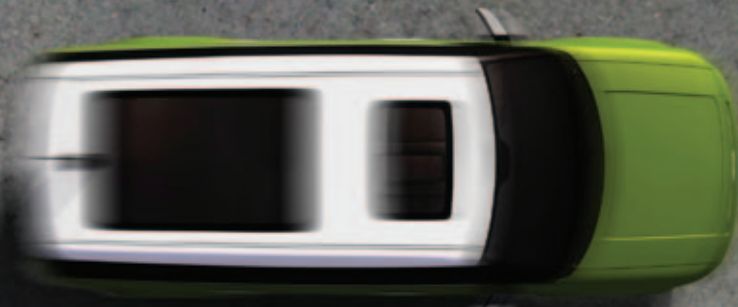
MORE THAN
1 MILLION
AUTOPAC POLICIES IN FORCE

DRIVING VALUE
DRIVING FORWARD

2012 ANNUAL REPORT




90
CENTS ON EVERY DOLLAR RETURNED
IN THE FORM OF CLAIMS BENEFITS



ALMOST
1 MILLION
CALLS HANDLED BY THE
CONTACT CENTRE



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.

DRIVING VALUE DRIVING FORWARD

2012 ANNUAL REPORT



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LETTERS OF TRANSMITTAL

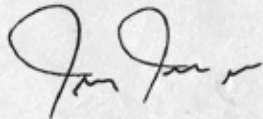
May 27, 2013

Honourable Andrew Swan
Minister Charged with the Administration
of the Manitoba Public Insurance Act
Room 104, Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Dear Minister,

In accordance with Section 43(1) of The Manitoba Public Insurance Corporation Act, I have the honour of submitting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2013.

Respectfully submitted,



Jake Janzen
Chairperson of the Board



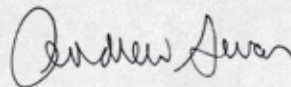
May 27, 2013

The Honourable Philip S. Lee
Lieutenant Governor of the
Province of Manitoba
Room 235, Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

May it please your Honour,

I have the privilege of presenting the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 28, 2013.

Respectfully submitted,



Andrew Swan
Attorney General and Minister of Justice
Minister Charged with the Administration
of the Manitoba Public Insurance Act



2012/13 YEAR-END SUMMARY

The following are 2012/13 fiscal year totals, covering the period March 1, 2012, to February 28, 2013.

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 2012/13, respectively (before expenses)	\$147.9 million and \$450.3 million
Amounts paid by MPI to Manitoba medical practitioners on behalf of customers	\$34.1 million
Commissions paid by MPI to independent insurance brokers for product sales	\$73.2 million
Grants-in-lieu of taxes paid to Manitoba municipalities by MPI	\$1.8 million
Provincial premium taxes paid by MPI	\$28.7 million
Dollars invested in road safety programs	\$16.0 million
Potential savings to policyholders through recycled parts made available for use in claims repairs	\$15.0 million
Estimated direct savings to policyholders through subrogation	\$9.1 million

SIGNIFICANT NUMBERS

Average number of Autopac claims reported to MPI per working day	1,153
Total Autopac claims reported	287,105
Bodily injury claims reported	17,110
Property damage claims reported	269,995
Total theft claims reported in Winnipeg	1,710
Total theft claims reported elsewhere in province	704
Number of Autopac policies in force (average)	1,045,879

CORPORATE FIVE YEAR STATISTICS

	2012/13	2011/12	2010/11	2009/10	2008/09
Premiums Written (\$000)	936,271	959,540	929,724	906,229	885,682
Claims Incurred (\$000)	746,482	701,850	418,411	614,198	605,643
Number of Claims	287,105	277,201	275,763	267,611	254,856
Average Cost per Claim (\$)	2,600	2,532	1,517	2,295	2,376
Claim Expenses (\$000)	130,702	132,325	110,857	97,448	90,443
Other Expenses (\$000)	248,460	238,347	236,104	232,973	221,563
Net Income (Loss) (\$000)	(48,088)	37,423	292,516	86,944	(6,555)
Net Income (Loss) After Surplus Distribution (\$000)	(48,088)	23,303	(29,162)	86,944	(6,501)
Investments At Year-End (\$000)	2,328,567	2,254,732	2,420,738	2,207,582	2,022,893
Total Assets (\$000)	2,881,133	2,787,210	2,992,030	2,791,551	2,434,137

BOARD OF *DIRECTORS*



LEFT TO RIGHT

MARY
JOHNSON

MARTY
DONKERVOORT

JAKE
JANZEN
Chairperson

DALE
PATERSON

MARILYN
McLAREN
Ex-Officio

DEBBIE
MINTZ

KAREN
MacKINNON

JEANNE
MILLIS

KERRY
BITTNER
Vice-Chairperson

MELANIE
WIGHT



MESSAGE FROM THE *CHAIRPERSON*

AT MANITOBA PUBLIC INSURANCE, WE UNDERSTAND THE IMPORTANCE OF AFFORDABLE, COMPREHENSIVE AUTO INSURANCE AND WE'RE PLEASED TO PROVIDE UNIVERSAL ACCESS TO ALL MANITOBANS.

At the same time, we take our mandate of making roads safer for Manitobans very seriously. Last year, weather conditions such as winter storms, hail and icy roads contributed to an increase in collisions and claims. And, although we can't control Mother Nature, we continue to effect positive change in driving behaviour by raising awareness of distracted driving, speeding, impaired driving and the proper use of occupant restraints.

Despite the challenges of the current weather and economic environment - higher-than-expected claims combined with lower investment income - our long-term record of providing value remains solid. We held the line on rates for 2013, marking the ninth consecutive year in which Basic Autopac rates have either decreased or remained the same. Last year, 90 cents on every dollar was returned back to Manitobans in the form of claims benefits, significantly above the industry average.

Manitoba has one of the lowest rates of year-over-year premium increases of all Canadian provinces. Rate comparisons clearly show the value that Manitobans receive. For example, a 40-year-old Winnipeg couple, each with 15-year clean driving records, and their 16-year-old son also with a clean record, will pay among the lowest rates in Canada to insure their family's 2010 Dodge Grand Caravan SE - in Calgary they will pay \$1,748 more per year and in Toronto they will pay an additional \$7,084.

We are clearly driving value. And we are driving forward by continually exploring ways to enhance service, foster innovation and efficiency, and remain an industry leader.

I want to recognize my colleagues on the Board of Directors for their professionalism and commitment to value, now and in the future. I am extremely grateful for the opportunity to work with this dedicated team and for the guidance they provide. In particular, I want to commend the long-term service of Daryl Reid, Manisha Pandya, Ed Arndt and Annette Maloney, who retired from the board last year, and welcome our newest members, Marty Donkervoort, Karen MacKinnon, Jeanne Millis and Melanie Wight.

Last but certainly not least, I want to recognize the executive team, management and employees of the Corporation, who are constantly seeking innovative ways to further enhance the value that Manitoba Public Insurance provides. The Corporation was honoured this year by being selected as one of Manitoba's Top Employers by a national advisory council - a recognition we can all be extremely proud of.

JAKE JANZEN
Chairperson of the Board

EXECUTIVE TEAM



LEFT TO RIGHT

HEATHER
REICHERT

*Vice-President
Finance and Chief
Financial Officer*

CHRISTINE
MARTIN

*Vice-President
Service Operations*

DAN
GUIMOND

*Vice-President
Strategy and
Innovation and Chief
Information Officer*

KATHY
KALINOWSKY

*General Counsel and
Corporate Secretary*

MARYANN
KEMPE

*Vice-President
Community and
Corporate Relations*

MARILYN
MCLAREN

*President and Chief
Executive Officer*

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DRIVING VALUE, DRIVING FORWARD





MESSAGE FROM THE *PRESIDENT*

MANITOBA IS A GROWING AND INCREASINGLY DIVERSE PROVINCE WITH UNLIMITED POTENTIAL. AT MANITOBA PUBLIC INSURANCE, WE ARE PROUD TO BE SERVING AND CONTRIBUTING TO THIS PROMISING FUTURE.

We recognize that growth and diversity, coupled with rapid advances in technology, are creating changes in customer needs and expectations. Customers, in our most recent surveys, say they are extremely satisfied with the service they receive. To maintain and build on this satisfaction, we cannot be complacent, even during challenging fiscal times. With this in mind, we are undertaking a series of improvement initiatives that target different areas of our operations.

The most ambitious of these is a review of our physical damage claims model. This is a long-term project that will leverage emerging technology to address current challenges of vehicle repair, look for cost efficiencies and increase customer convenience. At the same time, we continue to refine service operations to ensure we provide service where and when customers need it.

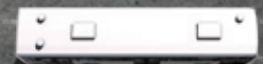
While we remain committed to our customers, we are fully cognizant of financial realities. This past fiscal year saw lower investment income, due in part to lower than expected interest rates, a challenging overall global financial climate and one of the longest, coldest winters in recent history, which contributed to an increase in claims.

Even with such fluctuations in investments and claims costs, we will continue to fulfil our Value Equation - where price, coverage, service and access combine to create value for Manitobans - by remaining focused on fiscal restraint and ensuring all our expenditures are appropriate and beneficial to Manitobans.

In this way, we are committed to driving value as we drive forward to meet the changing needs and expectations of Manitobans.

MARILYN McLAREN

President and Chief Executive Officer





DRIVING **VALUE** FORWARD
DRIVING

THE THEME OF OUR ANNUAL REPORT, **DRIVING VALUE, DRIVING FORWARD**, EPITOMIZES THE CORPORATE CULTURE AT MANITOBA PUBLIC INSURANCE.

With an eye on what we call our Value Equation - a combination of price, coverage, service and access - we *drive value* for Manitobans. Recognizing that the needs and expectations of our customers are constantly evolving, we are *driving forward* with a strong foundation and are striving for continuous improvement in order to maintain and build customer satisfaction.

You'll see examples of these changes throughout our annual report. Among the highlights:

- > We continue to refine our service model, expanding locations and adjusting hours to better meet the needs of Manitobans.
- > We are harvesting the benefits of process and technology enhancements to the Personal Injury Protection Plan, creating greater customer satisfaction.
- > We are laying the groundwork for a new physical damage claims model that will capitalize on emerging technologies and best practices to further increase customer service and satisfaction.
- > We are examining Manitoba's High School Driver Education Program, with a view to ensuring we offer a best-in-class model.

Our research shows that customers hold extremely positive views about the service they receive. In fact, 97 per cent who visited a Service Centre for testing services were satisfied with the service, and 89 per cent who visited a Service or Claims Centre for a physical damage claim said they were satisfied.

We recognize that to improve upon our record of service excellence, we cannot sit in neutral. We will drive forward to create future change, guided by our Value Equation.

PRICE

AFFORDABLE INSURANCE.

Our rates are consistently among the lowest and most stable in Canada.



COVERAGE

COMPREHENSIVE PROTECTION AGAINST THE COST OF COLLISIONS.

The majority of Manitobans want complete coverage - and that's what we deliver through the world-class Personal Injury Protection Plan.



SERVICE

SERVICE WHERE AND WHEN YOU NEED IT.

We are available to meet the needs of Manitobans through our toll-free Contact Centre, our network of 300 Autopac agents and our customer-centric Service Centre model.



ACCESS

EASILY ATTAINABLE COVERAGE AND SERVICES THAT DO NOT DISCRIMINATE.

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 Manitoba drivers.



VALUE

FOR ALL MANITOBANS.



ROAD SAFETY

AT MANITOBA PUBLIC INSURANCE, WE ARE PROUD OF OUR MISSION: "WORKING WITH MANITOBANS TO REDUCE RISK ON THE ROAD." TO ACHIEVE THIS GOAL AND CONTINUE OUR STEADFAST COMMITMENT TO ROAD SAFETY, WE COLLABORATE WITH A NUMBER OF PARTNERS TO DRIVE HOME SAFETY MESSAGES AND ENCOURAGE SAFE DRIVING BEHAVIOURS.

We encourage good driving behaviour by raising awareness on such key issues as distracted driving, speeding, impaired driving and occupant restraints through multi-media campaigns designed to reach a broad cross-section of Manitobans. We work closely with the Manitoba Association of Chiefs of Police to coordinate awareness and enforcement efforts throughout the year, ensuring the most effective use of valuable resources.

Last year, we partnered with MADD and the RCMP to expand the Report Impaired Drivers 911 program into the communities of Portage la Prairie and Thompson. The program began in 2010 as a pilot in Brandon and has proven effective in reducing

the number of impaired drivers on Manitoba roads. We also continued to support Operation Red Nose to reduce impaired driving in Manitoba communities over the holiday season.

This past year we worked with the Province to bring together road safety partners from across North America to Winnipeg for the Canadian Council of Motor Transport Administrators national conference, Canada's largest annual meeting of road safety professionals.

FOCUS ON **FUTURE DRIVERS**

We undertook a number of safety initiatives last year designed to instil good driving behaviour in young drivers.

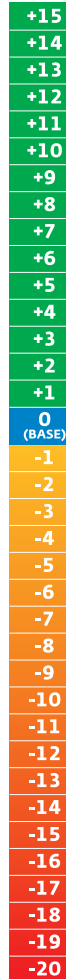
- Thousands of teens across our province attended the *Friends for Life* speaker series, listening to dramatic first-person accounts of the physical and emotional devastation caused by impaired driving. Almost 50,000 Manitoba students have heard a *Friends for Life* presentation since the series began in February 2011.
- *Hurt. Seriously.* a series of videos depicting compelling stories and powerful messages from collision survivors, was launched to educate Manitobans age 16 to 24 about the tragic consequences of poor driving decisions.
- The Corporation's first-ever video contest, *Rethink Road Safety*, put teens and young adults behind the camera and garnered 38 entries from young videographers in three categories: distracted driving, impaired driving and speeding/aggressive driving.
- Our *Driver Ed Challenge* marked 10 years of teaching safe driving techniques to young motorists through a fun and exciting province-wide competition.

DRIVING FORWARD WITH **DRIVER EDUCATION**

The Corporation is examining Manitoba's High School Driver Education Program to ensure we continue to offer a model of best practices. Each year, more than 12,000 students participate in the program, which combines in-class instruction, behind-the-wheel training and in-car observation.

Ensuring affordable and accessible driver education is one of the best ways to provide new drivers with a good, safe start to driving. To that end, we sponsor student participation in Driver Ed - students currently pay \$50 for the course and Manitoba Public Insurance covers the rest of the costs, which total approximately \$350 per student. Courses are available at more than 170 high schools across the province.

MERITS FOR
SAFE DRIVING



DEMERITS FOR
HIGHER-RISK DRIVING

DRIVER SAFETY RATING

The Driver Safety Rating recognizes and rewards good driving behaviour through cost savings, while high-risk behaviour results in higher premiums. Drivers who have driven safely for 15 years save 33 per cent off their Basic Autopac premium. To further encourage safe driving, in 2012 the maximum driver-licence premium for those displaying the highest-risk behaviour was raised to \$2,000 and on March 1, 2013, to \$2,500.





CUSTOMER SERVICE

AT MANITOBA PUBLIC INSURANCE, MEETING THE NEEDS OF MANITOBANS IS AT THE HEART OF EVERYTHING WE DO. WE CONTINUE TO REFINE OUR CUSTOMER-CENTRIC SERVICE MODEL AND FOCUS ON PROVIDING SERVICE WHERE AND WHEN MANITOBANS NEED IT. THIS INCLUDES A NETWORK OF OVER 300 AUTOPAC AGENTS AND MORE THAN 20 MANITOBA PUBLIC INSURANCE SERVICE LOCATIONS PROVINCE-WIDE.

Last year, we adjusted the hours at a number of Service Centre locations to better meet the changing needs of customers. Front-line employees were also cross-trained to ensure more staff are available to provide the most needed services at peak times.

We also undertook the physical expansion of Service Centres in Dauphin and Steinbach to better accommodate customer needs in those communities. We are currently working on preparations for the future expansion of our Portage la Prairie location.

Driving forward, we are exploring additional ways to ensure that we can continue to fully meet customer demand, decrease wait times and increase convenience for our valued customers.



LISTENING TO **MANITOBANS**

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.

Thanks in large part to the strength of our employees and business partners, including our strong broker network, Manitobans tell us through research that they have a positive impression of their experience with the Corporation. In fact, 92 per cent of Manitobans who completed an Autopac or driver's licence transaction at either an Autopac agent or Service Centre say they were satisfied with the service they received.

Despite such high customer service levels, we know that Manitobans' needs and expectations are constantly changing, and we will continue to evolve to ensure we meet those expectations and provide value in the future. One way we are doing so is by laying the groundwork for increased customer service and satisfaction throughout the physical damage claims process - we are examining ways in which new technologies can improve processes and provide even greater convenience to Manitobans.



MEETING NEEDS IN **EXTRAORDINARY CIRCUMSTANCES**

Golfball-sized hail fell on parts of Winnipeg and surrounding areas in June 2012, causing extensive vehicle damage and resulting in an incredible 2,400 hail claims in just four days.

The Corporation responded quickly by setting up a special temporary hail Claim Centre to speed up the claims process and handle this perfect storm of hail damage claims, demonstrating how rapidly the Corporation can shift gears to meet customer needs and provide the best service possible.



PHYSICAL DAMAGE CLAIMS

AT SOME POINT, MOST MANITOBANS WILL UNFORTUNATELY BE INVOLVED IN A MINOR VEHICLE COLLISION. THE VAST MAJORITY OF THESE DO NOT RESULT IN PHYSICAL INJURY, BUT DO RESULT IN DAMAGE TO VEHICLES.

In addition to providing coverage against the cost of vehicle damage resulting from collisions, we work with our repair-industry partners to help ensure safe, high-quality repairs while containing costs wherever possible throughout the claims life cycle.

We recognize that new technologies provide a wealth of opportunities to increase customer convenience and streamline processes, and we are exploring the potential of these emerging technologies to assist with maintaining quality repairs and cost containment.

We also continue to support our industry partners to ensure a robust and sustainable repair industry. We address recruitment and retention of highly skilled trades people through financial incentives to registered apprentices and through sponsorship of Skills Manitoba, a non-profit organization that promotes the skilled trades and technology sectors.



PIPP

THE PERSONAL INJURY PROTECTION PLAN

MANITOBA PUBLIC INSURANCE ADMINISTERS COMPREHENSIVE INJURY COVERAGE THROUGH THE PERSONAL INJURY PROTECTION PLAN (PIPP).

PIPP provides coverage to support Manitobans who are recovering from injuries sustained in vehicle collisions. Claimants receive superior care and support, enabling them to continue to lead meaningful lives.

The plan is intended to compensate Manitobans fairly, adequately and promptly. All Manitoba residents are covered in the event of a motor vehicle collision anywhere in Canada and the U.S.

We continue to enhance the delivery of PIPP - recent changes to internal processes and technology are paying off in greater efficiencies and customer service improvements. In fact, in our most recent survey of injury claimants, 80 per cent said they were satisfied with their experience in dealing with the Corporation.

COMMUNITY INITIATIVES



MANITOBA PUBLIC INSURANCE AND ITS EMPLOYEES ARE COMMITTED TO THE SOCIAL AND ECONOMIC HEALTH OF OUR COMMUNITIES. WE SUPPORT A NUMBER OF INITIATIVES DEDICATED TO ENHANCING THE QUALITY OF LIFE FOR MANITOBANS THAT FIT WITHIN OUR CORPORATE SPONSORSHIP AND SOCIAL RESPONSIBILITY GUIDELINES.

EMPLOYEE INVOLVEMENT

The Corporation's employees actively contribute to fundraising and volunteer efforts throughout the year.

Sixty-four per cent of staff contributed to our successful 2012 United Way workplace campaign. All told, we exceeded our target and raised a record amount of more than \$339,000.

Our employees are committed to a wide range of community endeavours and volunteered time with Habitat for Humanity building affordable housing for low-income working families, with Koats for Kids providing winter outerwear to Manitoba children, and with Winnipeg's Santa Claus Parade ensuring a pleasant and safe experience for families. Staff were also strong supporters of Operation Donation, collecting food for Manitoba foodbanks, and the Christmas Cheer Board, filling hampers and volunteering time to deliver holiday goods to families in need.

Two teams of employees participated in the Manitoba Dragon Boat Festival, raising funds for the Canadian Cancer Society, while three teams took part in the Ride for Diabetes Research. Marilyn McLaren, president and CEO, was the leading fundraiser in the CEO Sleepout, an event in support of helping homeless people.

The Corporation is also the primary sponsor of Operation Red Nose, and more than 120 staff volunteered to help get drivers and their vehicles home safely after holiday festivities. The program expanded to Shilo last year and also operates in Winnipeg, Thompson, The Pas, Selkirk, Portage la Prairie, Gimli, Flin Flon, Brandon and Arborg-Riverton.



CORPORATE DONATIONS

Manitoba Public Insurance has committed \$2 million over four years to the Kleysen Institute for Advanced Medicine at Winnipeg's Health Sciences Centre, a new clinical research facility where researchers can access innovative, state-of-the-art technology. This donation will help support research into treatments for brain injury - nearly 40 per cent of Manitoba's brain injury trauma cases are the result of a motor-vehicle collision.

The Corporation supported a number of community organizations throughout the year. Our donation of a salvaged vehicle helped make it possible for Self Starting Creative Opportunities for People in Employment (SSCOPE), a non-profit employment service for people with mental health issues, to enhance service to its clients. We also provided sponsorship and support to a range of groups including Bike to Work Day, Winnipeg and Manitoba Crime Stoppers, MADD, We Day, Earth Day activities at Fort Whyte Alive, Downtown Winnipeg BIZ, Winnipeg Folk Festival, Riverview Health Centre Foundation, Special Olympics Manitoba and Manitoba Keewatinowi Okimakanak - Resource Rangers.



COMMUNITY SAFETY

Every year, we sponsor and support a number of programs and initiatives designed to improve safety on our roads:

- RoadWatch is an anti-drinking-and-driving program that combines increased law enforcement with a public awareness campaign.
- The Citizens on Patrol Program provides an outlet for residents to address local concerns in their community, with an emphasis on reducing crime and creating awareness of road-safety issues.
- SpeedWatch lends radar-operated speed reader boards to community groups - the boards display the driver's speed and the posted limit, reinforcing the message that speeding is an unsafe driving behaviour.
- We are a major partner in the School Safety Patrol Program, helping kids help other kids throughout the province travel safely to and from school.
- We partner with Brandon Transit and Winnipeg Transit on Ride Free, Ride Safe. This program offers free transit service on New Year's Eve, helping to ensure revelers get home safely.





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.

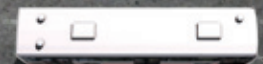
SOCIAL AND ECONOMIC CONTRIBUTION

Through Manitoba Finance, Manitoba Public Insurance invests in communities throughout Manitoba to the extent investment opportunities of acceptable risk and returns are available. The Corporation also contributes to community and economic development through its local purchasing power and as a major Manitoba employer.

Manitoba Public Insurance has taken a proactive role in identifying, and investing in, lasting solutions to community safety issues related to vehicles. As a major partner in our communities, the Corporation also supports 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. 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 \$85.0 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 as well as issuing and renewing driver's licences. Brokers have also taken on additional responsibilities, including registration for Driver Education and scheduling of driver testing and appointments.

Customers have responded very favourably to the broadening of the Autopac broker's role. In general, 92 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, 95 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 recognize that together, we are enhancing the value provided to Manitobans by the automobile insurance and registration system.

Service Centres

For added convenience, our Service Centres offer insurance and licensing services, along with claims and driver-testing services. Service Centres are now offered in nine communities - Arborg, Beausejour, Brandon, Dauphin, Selkirk, Steinbach, Thompson and Winkler, and at eight locations in Winnipeg.

This past year, the Corporation continued to advance its service model with the physical expansion of two Service Centres.

Our Dauphin Service Centre was renovated and expanded to upgrade facilities and create a better environment for both customers and employees. In Steinbach, we are consolidating two existing facilities into one expanded and renovated Service Centre to create operational efficiencies and better serve area residents. These projects also help us to ensure a consistent level of service at all our locations.

We are currently working on plans for the future expansion of our facilities and services in Portage la Prairie, to better meet the needs of customers in that region.

We also recognize that we must look to the future of our growing province and identify how programming and services must change to reflect Manitoba's changing demographics. Immigrants and First Nations people are both fast-growing demographics with unique cultural and service requirements that we will continue to focus on going forward.

We also continue to expand driver training opportunities for remote residents. At the same time, we are seeking new ways to deliver services to urban residents. Last year, we announced support for Citizen's Bridge, a three-year pilot project providing high-quality, subsidized driver education services to adults in Winnipeg with barriers to employment.

Road Safety

In collaboration with our road safety stakeholders, we continue to coordinate awareness strategies coupled with enforcement to reduce risk on Manitoba roads.

Our joint efforts with the Manitoba Association of Chiefs of Police combine awareness and enforcement resources for maximum effectiveness.

Over the course of the year, these integrated efforts address speeding, impaired driving, distracted driving and occupant restraints, as well as safety issues related to schools, cycling, pedestrians, intersections, ATVs, snowmobiles, commercial vehicles and wildlife. Distracted driving continues to emerge as a major safety issue, and going forward, it will be subject to increasing emphasis.

Impaired driving remains a leading focus of road safety efforts. Last year, the Province of Manitoba announced an even stronger stance against drinking and driving by expanding the ignition interlock program, which is administered by the Corporation. An ignition interlock device is now required for all convicted impaired drivers - including first time offenders - wanting to become re-licensed immediately following their driver licence suspension. Previously this requirement only applied to drivers convicted of serious or multiple impaired driving offences. The mandatory ignition interlock term lengths are one year for a first or second conviction, three years for a third conviction, and lifetime for any subsequent convictions.

A major key to road safety continues to be driver education. We are the proud sponsor of Manitoba's High School Driver Education Program and subsidize the cost of the program for students and their families. We also work closely with Safety Services Manitoba in the delivery of other road safety and driver improvement courses.

The Corporate Service Vision

Manitoba Public Insurance is committed to meeting the changing needs and expectations of our increasingly diverse customer base. We are seeking to be synonymous with service excellence by fine-tuning our operational and staffing models to more efficiently meet customer needs, and by expanding and renovating Service and Claim Centres to ensure operational effectiveness. We are looking at our physical damage model to see how we can leverage the latest in technology to improve our claims process, increase customer convenience and redefine our relationship with the repair industry. We are also moving ahead with plans to create a best-in-class driver education program and expand training opportunities for both geographically remote residents and adults in Winnipeg with barriers to employment. Through these projects, we continue driving forward towards a vision of service excellence and convenience for all 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 of Directors, 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 nine members. The President and Chief Executive Officer is an Ex-Officio Member of the Board and the Board Committees. Further duties, obligations, and responsibilities of the Board of Directors are prescribed by the *Crown Corporations Public Review and Accountability Act*.

The Corporation has a comprehensive annual strategic planning process. The Board approves a five-year strategic plan.

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

The Corporation established an anonymous and confidential Whistleblower Hotline system for the receipt, retention and treatment of complaints about suspected fraud or financial mismanagement from employees. It is fully compliant with the *Public Interest Disclosure (Whistleblower Protection) Act*.

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

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

Three reports were submitted on the Whistleblower Hotline during the fiscal period March 1, 2012, to February 28, 2013.

Each of the three reports was investigated. Reprimands were given to two employees for accessing corporate resources for personal use and violating the Respectful Workplace Policy. Following the second investigation, an employee was terminated for violating the Respectful Workplace Policy. The third investigation concluded the allegations of impropriety were unfounded.

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.

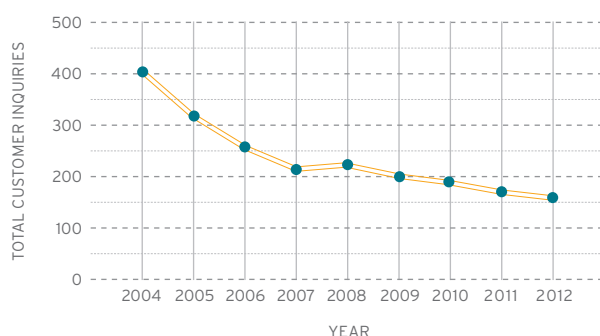
Many of these matters are referred to the FPO by the provincial Ombudsman, by staff and by customers. Inquiries of a systemic or policy nature may also be referred by the Customer Relations unit, which deals primarily with individual customers.

The number of inquiries continues to decline and is indicative of a trend over the years. Last year the office handled 166 inquiries, down from 173 the previous 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.

2012 FAIR PRACTICE RESULTS

In the 2012-13 fiscal year, the FPO received 166 documented inquiries from the following referral sources:

Customer	>	32
Formal Ombudsman Inquiries	>	7
Informal Ombudsman Inquiries	>	88
Internal Referrals	>	39



The FPO recommended the Corporation revise its decision in 12 situations, or about seven 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 experienced one environmental incident between March 1, 2012, and February 28, 2013. This was a diesel spill at the Physical Damage Centre, which affected a paved area and part of a drainage ditch. After the spill was contained and cleaned up, Manitoba Conservation took soil samples and determined that no additional measures were required.

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.

Fleet Vehicle Management

The Corporation has a fuel efficient vehicle fleet highlighted by a large percentage of hybrid and fuel efficient four cylinder engine vehicles. In addition, two models of electric vehicles are being tested to evaluate performance, cost and practicality. Average fuel efficiency for the regular fleet improved from 11.6 to 11.2 litres/100 km in the last year.

Facilities Management

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

- LEED (Leadership in Energy and Environmental Design) Silver Certification for New Construction: four undergoing verification.
- BOMA (Building Owners and Managers Association) BEST: nine certified.
- Green Globes: three certified and one undergoing verification.

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 and halogen lighting.
- High-efficiency hot water tanks.
- Temperature sensitive block heater plugs.
- LED exit lights, handheld estimating lights and interior office lighting.

Water Conservation

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

Environmental Testing

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

Environmental Testing

Results (2012-2013)

New properties to identify environmental issues.	>	Land being purchased for the planned expansion of the Portage la Prairie Service Centre went through a Phase 1 environmental assessment. No issues were identified.
Well water quality at those sites where a well is used.	>	Testing showed no signs of E. coli or coliform.
Runoff water and sediments for vehicle related contaminants.	>	Due to unfavourably dry weather conditions, this testing did not occur during the reporting period.
Waste audits to evaluate recycling success and opportunities.	>	Waste audits were not performed during the reporting period.

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 (2012-2013)

Activity

26,077	>	Salvage vehicles were sold to automobile recyclers and the public to be rebuilt or used for replacement parts.
18,675	>	Salvage vehicles had freon extracted from the vehicle air conditioning system.
1,518	>	Pre-1995 vehicles were sold for scrap.

Recycled materials include:

564	>	Computers and related devices.
191.5	>	Tonnes of paper and cardboard.
0.5	>	Tonnes of plastic and metal containers.
6.9	>	Tonnes of carpet.
83,655	>	Recycled parts available for use in claims repairs.
151	>	Kilograms of batteries and electronics.

CORPORATE GOALS, STRATEGIES AND MEASURES

Manitoba Public Insurance's Goals, Strategies and Measures are as follows:

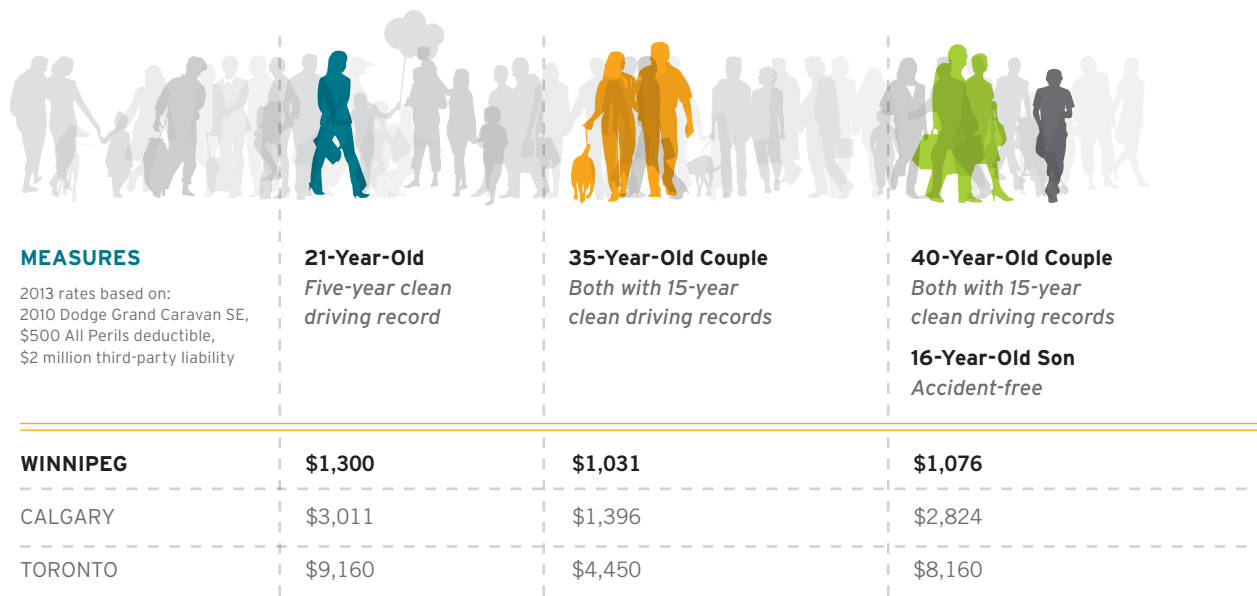
GOAL 1

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 and control 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



Notes:

1. The Dodge Grand Caravan SE is the most common passenger vehicle registered in Manitoba.
2. Manitobans will pay less for their automobile insurance in 2013 than other major Canadian cities.

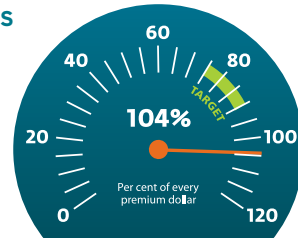
GOAL 2

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



Basic 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

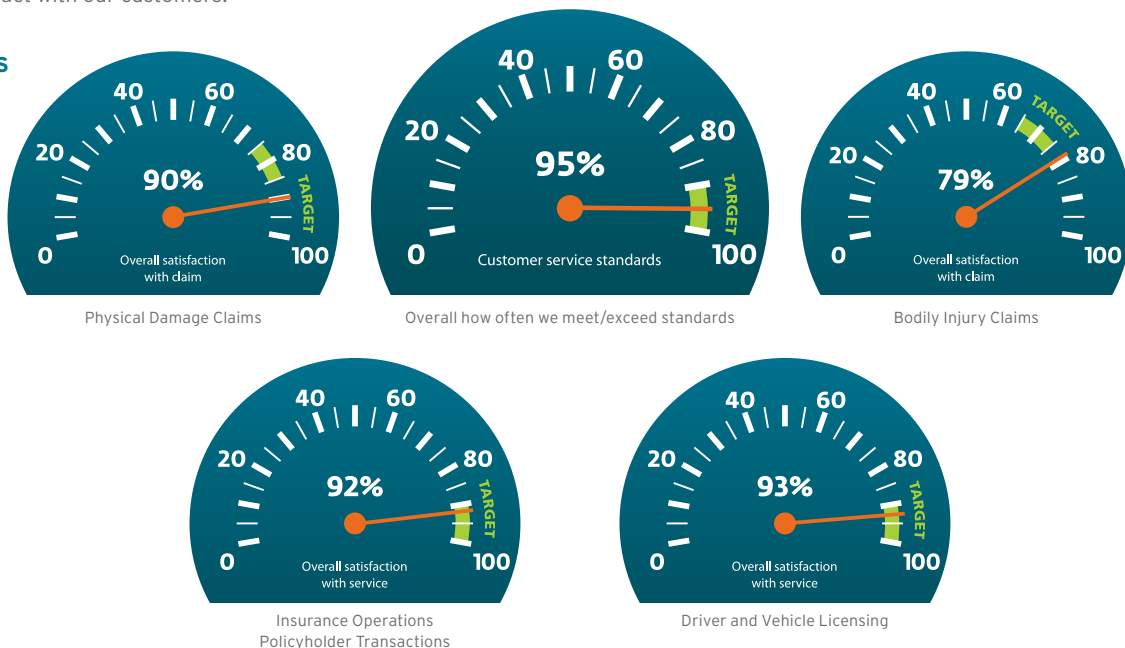
GOAL 4

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



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



GOAL 6

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

STRATEGIES

- 6.1 To foster a culture that attracts and retains a diverse workforce throughout the Corporation. To remove systemic barriers that might impede our progress toward these goals.
- 6.2 To continue to respond to the issues raised by our employees. Particular emphasis will be given to providing clear direction and fostering a management style that reflects our values and supports employee commitment to the organization.
- 6.3 To use change management strategies that ensure communication, education and employee training support and facilitate business change.

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

MEASURES



Level of employee satisfaction

GOAL 7

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

STRATEGIES

- 7.1 To develop an evidence-based road safety strategy with an aim to reduce automobile accidents, using a multi-faceted approach.
- 7.2 To ensure Manitobans meet and continue to maintain established standards of knowledge, skill and behaviour to gain access to Manitoba roads.
- 7.3 To ensure vehicles and vehicle repairs meet provincial mechanical standards.
- 7.4 To develop strategies and initiatives that support continuous monitoring of vehicle and driver performance to ensure Manitoba roads remain safe for everyone.
- 7.5 To continue to provide a clear and understandable Driver Safety Rating program, which rewards safe drivers and motivates higher-risk drivers to improve their driving behaviour through insurance rates that reflect the risk they represent on the road.

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

MEASURES



Public support for road safety

RESULTS OF OPERATIONS

CORPORATE

During the reporting period, for every dollar of revenue earned, the Corporation provided Manitobans with 90 cents in claims benefits. Operating, including regulatory and appeal expenses, accounted for 13 cents of every dollar of revenue earned while broker commissions and premium taxes cost 10 cents. This resulted in an underwriting loss of 13 cents which was offset by investment income equal to 8 cents per dollar of revenue. The Corporation's net loss was 5 cents for every dollar of revenue earned during the year.

Current and Last Year

In 2012/13, the Corporation had a net loss of \$48.1 million, \$71.4 million worse than the previous year. This was primarily due to a decrease in investment income of \$35.8 million, an increase in claims costs of \$43.2 million, a total expense increase of \$10.0 million and no surplus distribution compared to last year which was \$14.1 million.

Revenue

In 2012/13, total earned revenues increased to \$994.4 million, an increase of 0.7 per cent from 2011/12.

Total earned revenues include \$27.9 million received from the Province of Manitoba as part of the agreement 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. There are now seven 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.

In 2012/13, the Corporation's overall claims incurred increased by approximately \$44.6 million to \$746.5 million compared to 2011/12. Of this amount, injury claims incurred decreased by \$12.5 million while physical damage claims increased \$57.1 million. The total number of claims filed increased by 9,904 from 277,201 in 2011/12 to 287,105 in 2012/13.

The decrease in injury claims incurred is mainly the result of better than expected development on injury claims. The decrease is slightly offset by a \$4.0 million increase in injury claim liabilities due to a lower interest rate assumption used when discounting these liabilities. This increase is lower compared to last year's increase of \$84.0 million in injury claims liabilities.

The physical damage claims increase was mainly attributed to an increase in collision claims by 11,719 claims or 7.8 per cent from 149,764 claims last year to 161,483 claims this year.

Where Your Premium Dollar Has Gone

Total Claims Costs	\$ 0.90	}	TOTAL EARNED REVENUES	\$ 1.00
Operating & Regulatory / Appeal Expense	\$ 0.13		- TOTAL CLAIMS AND EXPENSES	\$ 1.13
Broker Commissions	\$ 0.07		= UNDERWRITING LOSS	\$ (0.13)
Premium Taxes	\$ 0.03		+ INVESTMENT INCOME	\$ 0.08
			= NET LOSS	\$ (0.05)

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. The many storms that occurred in the winter of 2012/13 resulted in a significant increase in collisions, noted above to be almost eight per cent.

Additionally, 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.

Although there were no hail-related reinsurance claims made in 2012/13, the Corporation incurred \$23.7 million relating to hail claims.

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 \$232.5 million, up \$10.0 million from last year. This increase was due primarily to the Information Technology (IT) Optimization initiative, long-term IT infrastructure upgrades as well as the Corporation's continued integration of *The Drivers and Vehicles Act* (DVA) operations and investment in customer service improvements made possible by the 2004 merger.

Investment Income

Total investment income, net of impairments and investment management fees, is down 30.1 per cent from last year to \$83.2 million compared to \$119.0 million last year. The \$35.8 million decrease is primarily due to decreased realized and unrealized gains on the fixed income portfolio. Refer to Note 6 of the Condensed 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 \$2.3 billion at February 28, 2013, an increase of 3.5 per cent or \$78.9 million from the previous year. The bond portfolio, which accounts for 58.3 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 (34.6 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 (23.7 per cent of the total portfolio market value).

The Minister of Finance through his government department contracts with five external investment managers to administer Manitoba Public Insurance's Canadian equity portfolio, which represents 17.2 per cent of the total investment portfolio.

The Corporation also has 7.0 per cent of its portfolio in U.S. 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 7.3 per cent of the investment fund, venture capital and private equity investments represent 0.2 per cent of the portfolio's carrying value, investment in two infrastructure holdings accounts for 0.9 per cent of investments and pooled real estate funds account for 7.5 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 6.9 per cent return during the fiscal year. Marketable bonds returned 4.5 per cent, non-marketable bonds 5.4 per cent, floating rate notes 1.5 per cent and real return bonds -1.2 per cent. The total Canadian equity portfolio earned 9.0 per cent, where large cap Canadian equities returned 7.3 per cent and small cap Canadian equities returned 21.8 per cent. U.S. equities returned 22.5 per cent in Canadian dollars. Over a four-year period, the investment portfolio has achieved an annualized return of 8.7 per cent.

Gain On Disposal Of Property

In 2011/12, the Corporation sold property, including land and buildings, resulting in a net gain of \$3.2 million. There were no property disposals in 2012/13.

BASIC

Current Year and Last Year

In 2012/13, Basic insurance net loss from annual operations after surplus distribution of \$72.2 million was \$80.4 million lower than last year, primarily due to increased claims costs of \$51.3 million and decreased investment income of \$33.1 million.

Revenue

The number of policies in force at year end increased to 1,026,164 from 995,682. This increase in policy volume was offset by a 3.8 per cent premium rate decrease. Total earned revenues decreased by a net \$5.2 million to \$775.2 million, compared to last year.

Claims Costs

Total claims costs increased \$51.3 million to \$786.1 million compared to last year. The increase in claims costs is comprised of an increase in net claims incurred of \$49.3 million, an increase in claims expense of \$1.9 million and an increase in loss prevention/road safety expenses of \$0.1 million. The net claims incurred increase of \$49.3 million includes an increase in physical damage of \$47.8 million and an increase in injury of \$1.5 million.

Injury claims incurred increased by \$1.5 million due to declining interest rates which leads to an increase in injury claim liabilities. The number of injury claims rose by 3.1 per cent from 16,598 to 17,110.

Physical damage claims incurred were higher compared to last year, increasing by \$47.8 million. The number of

collision claims of 161,483 rose by 11,694 or 7.8 per cent which contributed to an increase in the cost of these claims by \$37.9 million to \$318.6 million. The increased number of collisions was primarily due to the many storms that occurred in the winter of 2012/13.

Injury Claims

Years Ended February 28/29	2013	2012	2011	2010	2009
Type of Claim*					
Fatal	130	172	126	135	131
Brain injury**	246	276	146	66	44
Quadriplegic	2	6	2	6	3
Paraplegic	2	1	1	3	6
Broken bones	771	849	705	754	766
Sprains and strains***	4,821	3,980	3,198	–	–
Whiplash	9,249	8,646	10,735	13,885	14,669
Bruising/Lacerations	975	1,072	1,366	801	651
Other	914	1,593	907	1,021	673
Total	17,110	16,595	17,186	16,671	16,943

* 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 loses 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 \$129.4 million, up \$4.7 million compared to last year. The increase comes from a \$7.9 million increase in operating costs which was offset by a decrease of \$3.5 million in commissions.

Investment Income

Basic's share of corporate investment income was \$68.1 million, net of impairments and investment management fees. This was a decrease of \$33.1 million or 32.7 per cent compared to last year, attributable mainly to decreased gains on investments in bonds.

Retained Earnings

At February 28, 2013, Basic retained earnings totaled \$141.5 million compared to \$213.7 million at February 29, 2012.

Years Ended February 28/29	2013 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽²⁾	2009 ⁽²⁾
Basic Autopac – Five Year Statistics (\$000)					
Premiums written	746,044	779,953	759,552	738,999	714,265
Claims incurred	661,288	612,037	333,071	515,788	519,541
Claims expense	111,697	109,760	97,182	84,012	77,620
Other expenses	142,525	137,669	137,976	140,221	129,997
Net income (loss)	(72,213)	22,278	283,855	87,773	(8,165)
Net income (loss) after surplus distribution	(72,213)	8,158	(37,823)	87,773	(8,111)

(1) International Financial Reporting Standards

(2) Canadian Generally Accepted Accounting Principles

EXTENSION

Current Year and Last Year

Extension insurance reported net income of \$27.0 million compared to \$21.8 million the previous year. An increase of \$5.4 million in Extension's underwriting results and a decrease in its investment income of \$0.2 million resulted in an overall increase of \$5.2 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 \$6.7 million to \$136.5 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 \$2.1 million to \$71.2 million. Physical damage claims incurred increased by \$8.0 million or 15.5 per cent, exhibiting similar trends as the Basic line of business. This increase was offset by decreased injury claims incurred of \$2.1 million, due primarily to decreased severity, and decreased claims expenses of \$3.5 million.

Expenses

Expenses related to the sale of Extension products was \$46.2 million, a decrease of \$0.8 million from the previous year. This decrease was primarily due to a decrease in commission costs of \$2.2 million resulting from a one-time retroactive payment in the previous year. An increase in operating expenses of \$1.2 million offset the decrease in commission costs.

Investment Income

Extension's share of corporate investment income of \$7.9 million, net of impairments and investment management fees, was \$0.2 million lower 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 28, 2013, Extension retained earnings totaled \$134.4 million compared to \$97.8 million the previous year and the EDF totaled \$6.7 million (\$20.8 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 28, 2013, has reduced the EDF to \$6.7 million. Additional information is provided in the Notes 3 and 21 of the 2012/13 audited financial statements located on the Corporation's website mpi.mb.ca.

Years Ended February 28/29	2013 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽²⁾	2009 ⁽²⁾
Extension - Five Year Statistics (\$000)					
Premiums written	133,477	126,300	121,118	118,985	118,694
Claims incurred	56,953	50,991	57,259	57,863	63,517
Claims expense	12,955	16,505	9,990	9,285	8,808
Other expenses	47,434	48,540	39,250	35,703	32,421
Net income (loss)	27,035	21,837	25,199	27,534	14,264

(1) International Financial Reporting Standards

(2) Canadian Generally Accepted Accounting Principles

SPECIAL RISK EXTENSION

Current Year and Last Year

Special Risk Extension (SRE) insurance reported a net income of \$9.2 million, an increase of \$11.4 million from the previous year. An increase in earned revenue of \$4.6 million and lower claims costs of \$10.3 million were offset by higher expenses of \$1.9 million, and lower investment income of \$1.6 million.

Revenue

Total earned revenues in 2012/13 were \$54.4 million compared to \$49.8 million the previous year. The sales of SRE products, which include large trucking companies' liability, cargo and physical damage coverage, showed a growth of 9.3 per cent compared to last year.

Claims Costs

Total claims costs, including claims expense and loss prevention and road safety expenses, decreased from \$46.2 million in 2011/12 to \$35.9 million in 2012/13. Liability and cargo claims incurred decreased by \$11.9 million due to lower volume and severity.

Physical damage claims incurred increased by 8.7 per cent compared to the previous year, a change of \$1.3 million. Claims expense and loss prevention and road safety costs increased by \$0.3 million from the previous year.

Expenses

SRE's expenses increased to \$15.1 million from \$13.2 million, due to an increase in operating costs of \$1.0 million, commissions of \$0.8 million and premium taxes of \$0.1 million.

Investment Income

SRE's share of corporate investment income, net of impairments and investment management fees, reflected a decrease of \$1.6 million to \$5.8 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 \$55.0 million as at February 28, 2013, compared to \$45.8 million last year. Since inception of the EDF in 2007, SRE retained earnings have also contributed \$58.4 million to the fund.

Years Ended February 28/29	2013 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽²⁾	2009 ⁽²⁾
SRE - Five Year Statistics (\$000)					
Premiums written	56,750	53,287	49,054	48,245	52,724
Claims incurred	28,241	38,822	28,080	40,547	22,585
Claims expense	6,050	6,060	3,685	4,151	4,016
Other expenses	16,721	14,489	11,519	10,799	11,520
Net income (loss)	9,177	(2,192)	10,416	(685)	14,899

(1) International Financial Reporting Standards

(2) Canadian Generally Accepted Accounting Principles

THE DRIVERS AND VEHICLES ACT OPERATIONS

Current Year and Last Year

The *Drivers and Vehicles Act* (DVA) operations experienced a net loss of \$12.1 million compared to a net loss of \$4.5 million last year. Project costs associated with improvement initiatives contributed \$11.0 million to the DVA operations net loss. These project costs are recovered from the Extension Development Fund. The current year's loss after this recovery was \$1.1 million.

Revenue

Beginning April 1, 2011, the government increased its payments to the Corporation to \$27.9 million annually. This funding covers the cost of the DVA administrative operation.

In 2012/13, the Corporation received \$27.9 million from the Province of Manitoba and reported \$0.4 million in service fees and other revenue, resulting in overall revenue being \$0.5 million higher than the previous year.

Expenses

DVA operations' expenses of \$41.8 million were up \$4.2 million compared with last year's expenses of \$37.6 million due to a increase in project costs. Operating costs net of these project costs was \$28.4 million and was \$1.6 million higher than the comparable net operating costs last year. Direct operating costs comprise \$17.7 million of the \$28.4 million. The most significant item is direct compensation costs of \$12.6 million, which is the same as last year. The balance of the operating costs are allocated to DVA representing its share of common costs such as compensation of common departments (Human Resources, Finance, Fair Practice Office, Enterprise System Support and IT Support) that support Basic, Extension, SRE and DVA lines of business. Costs are allocated through a formal and structured allocation policy developed in 2011. The external auditors have accepted the policy and, for Basic Autopac ratesetting purposes, the Public Utilities Board has approved its use. Effectively, the Corporation's integrated service delivery model ensures that the cost of providing these services is lower than if each were operated on a stand-alone basis. Allocated costs are \$0.7 million more than last year.

Investment Income

DVA operations portion of corporate investment income, net of investment management fees and impairments, decreased by \$0.9 million to \$1.4 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 was reported as part of the DVA operations. There were no property disposals in 2012/13.

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.

The changes made in 2005 have proven over the last seven 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.

Basic Retained Earnings are comprised of the Rate Stabilization Reserve (RSR) and Retained Earnings in excess of RSR. The Corporation's Board of Directors current target RSR level is \$200.0 million based on the 2012 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporation's internal actuary concluded that a minimum RSR level of \$200.0 million would be required for Basic to achieve a satisfactory future financial condition. An RSR level lower than \$200.0 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 application for ratemaking purposes. The Public Utilities Board has established the Basic RSR target for rate-setting purposes based on 10.0 per cent to 20.0 per cent of written premiums. Based on the Public Utilities Board methodology, for the year ending February 28, 2013, this range is \$74.6 million to \$149.8 million (2012 - \$77.9 million to \$155.7 million). During the 2012 General Rate Application process, the Public Utilities Board agreed that it would revisit the RSR target during future rate applications. During the 2013 General Rate Application process, the Board ordered the Corporation to hold a technical conference in early 2013 to discuss the adverse scenarios and methodology being utilized currently by the Corporation within the DCAT, with a view to refining the adverse scenarios and gaining a better understanding of the DCAT modeling process.

The DCAT technical conference was held April 18-19. Both the Corporation and the Public Utilities Board gained a better understanding of the Corporation's DCAT modeling process and the appropriate adverse scenarios to use in next year's model.

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 Note 31 of the 2012/13 audited financial statements located on the Corporation's website mpi.mb.ca.

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 has made significant progress in reducing auto crime. Since 2004 - just prior to the Corporation implementing its auto theft initiatives - auto thefts in Winnipeg have dropped 85 per cent. Across the province, the combined total and attempted thefts continue to be the lowest since 1992, and are 82 per cent lower than 2006 when this combined total peaked.

Progress continued in 2012 with a combined reduction of 2.4 per cent of total thefts and attempted thefts from 2011.

The Winnipeg Police Service reports that in 2012, the average number of vehicles stolen daily was 3.8, 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.

Special Investigations 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 \$9.1 million in recoveries for the Corporation.

CLAIMS CONTROL STRATEGIES

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

- Management 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 repair 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.

Each year, these initiatives create significant savings that are directly passed on to customers in the form of lower insurance premiums. For example, salvage auto sales and tenders resulted in savings of almost \$31.5 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.

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'. This year, we will continue to work towards improving our capacity in this area. Through Data Centre Optimization, we will ensure backup systems continue to operate using current information from a second site in the event of a disaster or other business interruption, thus providing better customer service from more highly reliable and available systems.

BUSINESS CONTINUITY

The objective of our Business Continuity Management Program (BCMP) is to create corporate plans and responses that ensure continued customer service in the event of a business disruption. BCMP includes emergency response, crisis management, business recovery, IT service continuity, catastrophe, contingency and pandemic responses and the processes used to ensure ongoing readiness. The program is focused on creating and implementing a Corporate Business Continuity Plan through a strong understanding of our products and services, our people, delivery processes and technology.

Business Continuity includes planning, prevention, preparedness and a pro-active program approach to crisis responses and business delivery. The practice of business continuity recognizes the need for continuity in contrast to recovery. This approach leverages the prevention and pro-active aspects of business continuity that provide continuous service during business disruptions as opposed to suspension and recovery.



OUTLOOK

The Corporation remains committed to achieving its seven corporate goals. Actual results are monitored quarterly by the Board of Directors and may deviate from forecasts prepared in the previous year for rate setting purposes.

Basic Autopac Rates

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

On June 15, 2012, Manitoba Public Insurance filed its Basic insurance rate application with the Public Utilities Board, for rates to be charged beginning March 1, 2013. The Corporation recommended no overall increase in Basic insurance rates compared to the previous year. On December 3, 2012, this recommendation was approved by the Public Utilities Board.

Basic Autopac Net Income

Early indications suggest a continuation of the trends that led to the loss in 2012/13. After two of the last four years showed improved collision frequency, the rate that Manitobans are causing vehicle crashes seems to be returning to higher longer term trends. At the same time, higher risk drivers (those with negative Driver Safety Ratings) seem to be improving their driving. While this results in lower premium revenue, it may suggest a very positive change in behaviour. A continued consensus that economic recovery will be slow suggests that investment income will also be lower than it would otherwise be.

While the factors which negatively impacted investment income in 2012/13 may continue in 2013/14, the investment fund will be managed to achieve the highest return possible within reasonable risk tolerance levels.

Other Lines Of Business Net Income

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 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.

In its order 157/12, the Public Utilities Board approved the implementation of the new cost allocation methodology for rate setting purposes. The general rate application for 2014 will therefore calculate the required Basic Autopac rates, based on the new allocation methodology. This same methodology, which uses net claims incurred percentage to allocate claims expenses to the insurance line of business, has been used to produce the Universal Compulsory Insurance Financial statements for 2012/13 as well as the forecasts contained in the 2014 general rate application.

Road Safety

Manitobans have been 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.



These Financial Statements are not audited. The February 28, 2013, audited financial statements are available at mpi.mb.ca or upon request.

CONDENSED FINANCIAL STATEMENTS

Condensed Statement of Financial Position

As at February 28/29

(Unaudited - in thousands of Canadian dollars)

	Notes	2013	2012
Assets			
Cash and investments	5	1,551,879	1,550,606
Equity investments	5	562,229	502,675
Investment property	5	209,087	190,990
Due from other insurance companies		1,002	2,545
Accounts receivable		321,293	304,155
Prepaid expenses		1,034	996
Deferred policy acquisition costs		26,312	40,547
Reinsurers' share of unearned premiums		69	3,340
Reinsurers' share of unpaid claims		33,732	31,291
Property and equipment		126,883	123,266
Deferred development costs		47,613	36,799
		2,881,133	2,787,210
Liabilities			
Due to other insurance companies		1,788	5,791
Accounts payable and accrued liabilities		58,227	57,849
Financing lease obligation		4,482	4,536
Unearned premiums and fees		474,977	479,592
Provision for employee current benefits		21,501	21,109
Provision for employee future benefits		332,155	301,261
Provision for unpaid claims	4	1,558,024	1,485,445
		2,451,154	2,355,583
Equity			
Retained Earnings			
Basic Insurance Retained Earnings			
Rate Stabilization Reserve		141,470	155,700
Retained Earnings		-	57,983
		141,470	213,683
Non-Basic Retained Earnings			
Retained Earnings		177,231	139,060
Extension Development Fund		6,723	20,769
		183,954	159,829
		325,424	373,512
Accumulated Other Comprehensive Income		104,555	58,115
Total Equity		429,979	431,627
		2,881,133	2,787,210

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

Condensed Statement of Operations

For the years ended February 28/29

(Unaudited - in thousands of Canadian dollars)	Notes	2013	2012
Earned Revenues			
Gross premiums written		948,818	967,565
Premiums ceded to reinsurers		(12,547)	(8,025)
Net premiums written		936,271	959,540
(Increase) decrease in gross unearned premiums		7,910	(17,735)
Increase (decrease) in reinsurers' share of unearned premiums		(3,271)	(6,420)
Net premiums earned		940,910	935,385
Service fees & other revenue		25,577	25,046
<i>The Drivers and Vehicles Act</i> operations recovery		27,900	27,325
Total Earned Revenues		994,387	987,756
Claims Costs			
Direct claims incurred		754,404	710,002
Claims incurred ceded to reinsurers		(7,922)	(8,152)
Net claims incurred		746,482	701,850
Claims expense		130,702	132,325
Loss prevention/Road Safety		15,974	15,828
Total Claims Costs		893,158	850,003
Expenses			
Operating		127,869	113,554
Commissions		72,491	77,437
Premium taxes		28,702	28,071
Regulatory/Appeal		3,424	3,457
Total Expenses		232,486	222,519
Underwriting Income (Loss)		(131,257)	(84,766)
Investment Income	6	83,169	118,975
Gain on Disposal of Property		-	3,214
Net Income (Loss) From Annual Operations		(48,088)	37,423
Surplus Distribution		-	(14,120)
Net Income (Loss) After Surplus Distribution		(48,088)	23,303

Condensed Statement of Comprehensive Income (Loss)

For the years ended February 28/29

(Unaudited - in thousands of Canadian dollars)	2013	2012
Net Income (Loss) After Surplus Distribution	(48,088)	23,303
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on Available for Sale assets	53,808	(23,310)
Reclassification of net realized (gains) losses related to Available for Sale assets	(7,368)	(2,127)
Other Comprehensive Income (Loss) for the period	46,440	(25,437)
Total Comprehensive Loss	(1,648)	(2,134)

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

Condensed Statement of Changes in Equity

(Unaudited - 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, 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 & ITOF	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
Net income (loss) after surplus distribution for the year	–	(72,213)	–	24,125	–	(48,088)	–	(48,088)
Other comprehensive income (loss) for the year	–	–	–	–	–	–	46,440	46,440
Transfer between RSR & B-RE	(14,230)	14,230	–	–	–	–	–	–
Transfer between NB-RE & EDF	–	–	–	14,046	(14,046)	–	–	–
Balance at February 28, 2013	141,470	–	–	177,231	6,723	325,424	104,555	429,979

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

Condensed Statement of Cash Flows

For the years ended February 28/29

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	2013	2012
Cash Flows from (to) Operating Activities:			
Net income (loss) after surplus distribution		(48,088)	23,303
Non-cash items:			
Depreciation of property and equipment		6,742	6,747
Amortization of deferred development costs		8,847	8,406
Amortization of bond discount and premium		5,872	4,911
Loss on sale of investments		(24,422)	(41,831)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		9,075	(26,122)
Unrealized gain on investment in real estate		(18,915)	(15,631)
Unrealized gain on investment in infrastructure		(1,035)	(645)
Write-down of investments		3,957	13,599
		(57,967)	(27,263)
Net Change in Non-Cash Balances:			
Due from other insurance companies		1,542	9,426
Accounts receivable and prepaid expenses		(17,177)	(12,167)
Deferred policy acquisition costs		14,235	6,403
Reinsurers' share of unearned premiums and unpaid claims		829	17,536
Due to other insurance companies		(4,002)	(7,596)
Accounts payable and accrued liabilities		378	(303,730)
Unearned premiums and fees		(4,615)	19,005
Provision for employee current benefits		392	1,935
Provision for employee future benefits		30,893	43,449
Provision for unpaid claims		72,579	44,300
		95,054	(181,439)
		37,087	(208,702)
Cash Flows from (to) Investing Activities:			
Purchase of investments		(968,030)	(1,093,650)
Proceeds from sale of investments		996,010	1,386,583
Acquisition of property and equipment net of proceeds from disposals		(10,358)	(6,876)
Financing lease obligation		(54)	(50)
Deferred development costs incurred		(19,661)	(6,973)
		(2,093)	279,034
Increase in Cash and Short-Term Investments		34,994	70,332
Cash and short-term investments beginning of year		135,888	65,556
Cash and Short-Term Investments End of Year	5	170,882	135,888
Supplemental Cash Flow Information:			
Interest received		40,917	35,389
Dividends received		11,058	12,570

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

NOTES TO CONDENSED 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. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business rates are approved by the Public Utilities Board of Manitoba.

Under *The Drivers and Vehicles Act*, 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).

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 5.

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

For a complete listing of the significant accounting policies please refer to the February 28, 2013, audited financial statements available at mpi.mb.ca.

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

Investments

Funds available for investments are managed by the 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)
- 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.

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.

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.

Revenue

Premiums

Written premiums comprise the premiums on contracts commencing in the fiscal year. Earned premiums represent the portion of written premiums earned through the year 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, 2012. Roll-forward procedures are performed to ensure that the December 31, 2012, valuation is a reliable estimate of the valuation at February 28, 2013.

ii. Other Benefit Plans

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

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

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

Provision for Unpaid Claims

IFRS 4, *Insurance Contracts* permits the continued use of insurance liability valuation methods previously used under pre-IFRS Canadian Generally Accepted Accounting Principles (GAAP). The Corporation establishes reserves for payment of claims and adjustment expenses that arise from the Corporation's insurance products. The reserve balance represents the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. There are two categories of loss reserves: (1) reserves for reported losses and (2) reserves 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.

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, Contact Centre statistics, premiums written ratios and net 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.

4. PROVISION FOR UNPAID CLAIMS

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

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

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

5. CASH AND 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 (2012 - nil).

Short-term investments have a total principal amount of \$176.3 million (2012 - \$146.4 million) comprised of provincial short-term deposits with effective interest rates of 0.91 per cent to 0.93 per cent (2012 - 0.86 per cent to 0.88 per cent), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of \$5.0 million. There were no drawdowns against this line of credit at February 28, 2013.

Cash and Investments

(Unaudited - in thousands of Canadian Dollars)	FINANCIAL INSTRUMENTS			NON-FINANCIAL INSTRUMENTS	TOTAL CARRYING VALUE
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at February 28, 2013					
Cash and short-term investments	170,882	–	–	–	170,882
Bonds					
Federal	–	–	61,460	–	61,460
Manitoba:					
Provincial	–	–	254,190	–	254,190
Municipal	–	15,140	29,860	–	45,000
Hospitals	–	–	12,107	–	12,107
Schools	–	536,434	–	–	536,434
Other provinces:					
Provincial	–	–	338,172	–	338,172
Municipal	–	–	63,023	–	63,023
Corporations	–	–	44,081	–	44,081
	–	551,574	802,893	–	1,354,467
Other investments	4,099	–	–	–	4,099
Infrastructure	–	–	22,431	–	22,431
Cash and investments	174,981	551,574	825,324	–	1,551,879
Equity investments	562,229	–	–	–	562,229
Investment property	–	–	173,002	36,085	209,087
	737,210	551,574	998,326	36,085	2,323,195

Cash and Investments

(Unaudited - in thousands of Canadian Dollars)	FINANCIAL INSTRUMENTS			NON-FINANCIAL INSTRUMENTS	TOTAL CARRYING VALUE
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at February 29, 2012					
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

6. INVESTMENT INCOME

(Unaudited - in thousands of Canadian dollars)	2013	2012
Interest income	42,604	37,914
Gain on sale of Fair Value Through Profit or Loss bonds	17,054	39,704
Unrealized gain (loss) on Fair Value Through Profit or Loss bonds	(9,075)	26,122
Unrealized gain on investment property	18,915	15,631
Gain on infrastructure investments	690	519
Unrealized gain on infrastructure investments	1,035	645
Dividend income	11,058	12,444
Gain on sale of equities	7,374	2,126
Gain (loss) on foreign exchange	–	(1)
Income from investment property	1,751	1,502
Write-down of investments	(3,957)	(13,599)
Investment management fees	(4,280)	(4,032)
Total	83,169	118,975

7. EMPLOYEE FUTURE BENEFITS EXPENSE

(Unaudited - in thousands of Canadian dollars)	2013	2012
Pension benefits	33,290	48,134
Other post-employment benefits	9,401	9,401
Total	42,691	57,535

8. DEPRECIATION AND AMORTIZATION

(Unaudited - in thousands of Canadian dollars)	2013	2012
Amortization - deferred development	8,848	8,406
Depreciation - property and equipment	6,742	6,747

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
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