Manitoba
Public Insurance

ANNUAL FINANCIAL STATEMENT

FOR THE FISCAL YEAR

ENDED FEBRUARY 28, 2014

Responsibility for Financial Statements

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

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

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

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

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

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

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

Dan Guimond
President and Chief Executive Officer

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

May 2, 2014

May 2, 2014

Independent Auditor's Report

To the Directors of
Manitoba Public Insurance Corporation

We have audited the accompanying financial statements of Manitoba Public Insurance Corporation (the Corporation) which comprise the statement of financial position as at February 28, 2014 and the statement of operations, changes in equity and cash flow for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at February 28, 2014 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter
The statement of financial position as at March 1, 2012 has been derived from the statement of financial position as at February 28, 2012 (not presented herein). The financial statements of the Corporation for the year ended February 28, 2013 (prior to the restatement described in Note 3 to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on May 3, 2013. As part of our audit of the financial statements of the Corporation for the year ended February 28, 2014, we also audited the adjustments described in Note 3 that were applied to restate the financial statements for the year ended February 28, 2013 and to derive the statement of financial position as at March 1, 2012. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of the Corporation for the year ended February 28, 2013 or to the statement of financial position as at March 1, 2012 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended February 28, 2013 or the statement of financial position as at March 1, 2012 taken as a whole.

PricewaterhouseCoopers LLP

Chartered Accountants

J. S. CHENG & PARTNERS INC.
JSCP
ACTUARIES Who Care™

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its statements of financial position at February 28, 2014 and their change in the statement of operations for the year then ended in accordance with the accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

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

Joe S. Cheng
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba

May 2, 2014

Financial Statements

Statement of Financial Position

As At February 28 (in thousands of Canadian dollars)	Notes	**2014**	2013 Restated
Assets			
Cash and investments	*4*	**1,695,988**	1,551,879
Equity and pooled real estate fund investments	*4*	**712,625**	735,231
Investment property	*4&5*	**38,312**	36,085
Due from other insurance companies	*6*	**4,080**	1,002
Accounts receivable		**334,137**	321,293
Prepaid expenses		**1,049**	1,034
Deferred policy acquisition costs	*7*	**24,742**	26,312
Reinsurers' share of unearned premiums	*17*	**61**	69
Reinsurers' share of unpaid claims	*17&18*	**24,741**	33,732
Property and equipment	*8*	**123,850**	126,883
Deferred development costs	*9*	**68,586**	47,613
		3,028,171	2,881,133
Liabilities			
Due to other insurance companies	*10*	**1,934**	1,788
Accounts payable and accrued liabilities	*11*	**63,026**	58,227
Financing lease obligation	*12*	**4,425**	4,482
Unearned premiums and fees	*14*	**497,811**	474,977
Provision for employee current benefits	*15*	**21,800**	21,501
Provision for employee future benefits	*16*	**333,138**	332,155
Provision for unpaid claims	*17&18*	**1,708,714**	1,558,024
		2,630,848	2,451,154
Equity			
Retained Earnings			
Basic Insurance Retained Earnings			
Rate Stabilization Reserve		**99,878**	149,800
Retained Earnings		**-**	19,240
		99,878	169,040
Non-Basic Retained Earnings			
Capital Reserve		**114,000**	72,000
Retained Earnings		**106,594**	117,557
Extension Development Fund	*20*	**-**	6,723
		220,594	196,280
		320,472	365,320
Accumulated Other Comprehensive Income	*21*	**76,851**	64,659
Total Equity		**397,323**	429,979
		3,028,171	2,881,133

Contingent Liabilities (note 33)
The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors:

Jake Janzen
Chairperson

Jeanne Millis, CA
Chair Audit Committee

Statement of Operations

For the years ended February 28 (in thousands of Canadian dollars)	*Notes*	**2014**	2013 Restated
Earned Revenues			
Gross premiums written		**995,556**	948,818
Premiums ceded to reinsurers		**(17,564)**	(12,547)
Net premiums written		**977,992**	936,271
(Increase) decrease in gross unearned premiums		**(21,634)**	7,910
Increase (decrease) in reinsurers' share of unearned Premiums		**(8)**	(3,271)
Net premiums earned		**956,350**	940,910
Service fees & other revenue	*22*	**28,701**	25,577
The Drivers and Vehicles Act operations recovery	*23*	**27,900**	27,900
Total Earned Revenues		**1,012,951**	994,387
Claims Costs			
Direct claims incurred		**866,018**	754,404
Claims incurred ceded to reinsurers		**(4,880)**	(7,922)
Net claims incurred		**861,138**	746,482
Claims expense		**132,564**	126,848
Loss prevention/Road safety		**15,558**	15,881
Total Claims Costs		**1,009,260**	889,211
Expenses			
Operating		**115,840**	124,828
Commissions		**74,813**	72,491
Premium taxes		**29,218**	28,702
Regulatory/Appeal		**3,791**	3,424
Total Expenses		**223,662**	229,445
Underwriting loss		**(219,971)**	(124,269)
Investment income	*4*	**175,123**	89,330
Net loss from operations	*24*	**(44,848)**	(34,939)

Statements of Comprehensive Income (Loss)

For the years ended February 28 (in thousands of Canadian dollars)	*Notes*	**2014**	2013 Restated
Net loss from operations	*24*	**(44,848)**	(34,939)
Other Comprehensive Income (Loss)	*21*		
Unrealized gains on Available for Sale assets		**108,970**	53,814
Employee Future Benefits Gain (Loss)		**16,216**	(13,149)
Reclassification of net realized gains related to Available for Sale assets		**(112,994)**	(7,374)
Other Comprehensive Income for the period		**12,192**	33,291
Total Comprehensive Loss		**(32,656)**	(1,648)

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

Statement of Changes in Equity (Restated)

(in thousands of Canadian dollars)	Basic		Non-Basic			Corporate		
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Capital Reserve (NB-CR)	Retained Earnings (NB-RE)	Extension Development Fund (EDF)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Restated Balance as at March 1, 2012	155,700	76,443	72,000	75,347	20,769	400,259	31,368	431,627
Restated net income after surplus distribution for the year	-	(63,103)	-	28,164	-	(34,939)		(34,939)
Restated other comprehensive income (loss) for the year	-	-	-	-	-	-	33,291	33,291
Transfer between RSR & B-RE	(5,900)	5,900	-	-	-	-	-	-
Transfer between NB-RE & EDF	-	-	-	14,046	(14,046)	-	-	-
Restated Balance as at February 28, 2013	149,800	19,240	72,000	117,557	6,723	365,320	64,659	429,979
Net income (loss) after surplus distribution for the year	-	(69,162)		24,314	-	(44,848)	-	(44,848)
Other comprehensive income (loss) for the period	-	-		-	-	-	12,192	12,192
Transfer between RSR & B-RE	(49,922)	49,922			-	-	-	-
Transfer between NB-CR & NB-RE			42,000	(42,000)	-	-	-	-
Transfer between NB-RE & EDF	-	-	-	6,723	(6,723)	-	-	-
Balance as at February 28, 2014	**99,878**	**-**	**114,000**	**106,594**	**-**	**320,472**	**76,851**	**397,323**

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

Statement of Cash Flows

For the years ended February 28 (in thousands of Canadian dollars)	Notes	**2014**	2013 Restated
Cash Flows from (to) Operating Activities:			
Net loss from operations		**(44,848)**	(34,939)
Non-cash items:			
Depreciation of property and equipment		**6,551**	6,742
Amortization of deferred development costs		**8,847**	8,847
Amortization of bond discount and premium		**2,607**	5,872
Gain on sale of investments		**(108,901)**	(24,422)
Unrealized loss on Fair Value Through Profit or Loss bonds		**15,792**	9,075
Unrealized gain on investment in real estate		**(19,918)**	(18,915)
Unrealized gain on investment in infrastructure		**(1,591)**	(1,035)
Impairment of available for sale investments		**1,194**	3,957
		(140,267)	(44,818)
Net change in non-cash balances:			
Due from other insurance companies		**(3,078)**	1,542
Accounts receivable and prepaid expenses		**(12,859)**	(17,177)
Deferred policy acquisition costs		**1,570**	14,235
Reinsurers' share of unearned premiums and unpaid claims		**8,999**	829
Due to other insurance companies		**146**	(4,002)
Accounts payable and accrued liabilities		**4,801**	378
Unearned premiums and fees		**22,834**	(4,615)
Provision for employee current benefits		**299**	392
Provision for employee future benefits		**17,199**	17,744
Provision for unpaid claims		**150,690**	72,579
		190,601	81,905
		50,334	37,087
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(1,732,472)**	(968,030)
Proceeds from sale of investments		**1,637,860**	996,010
Acquisition of property and equipment net of proceeds from disposals		**(3,520)**	(10,358)
Financing lease obligation		**(57)**	(54)
Deferred development costs incurred		**(29,819)**	(19,661)
		(128,008)	(2,093)
Increase (decrease) in Cash and Short-Term Investments		**(77,674)**	34,994
Cash and short-term investments beginning of year		**170,882**	135,888
Cash and Short-Term Investments end of year	*4*	**93,208**	170,882
Supplemental cash flow information:			
Interest received		**48,315**	40,917
Dividends received		**14,244**	11,058

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

Notes to Financial Statements

February 28, 2014

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). The financial statements were authorized for issue by the Board of Directors on May 2, 2014.

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

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

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

Basis of Presentation

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

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

Seasonality

The automobile insurance business, which reflects the primary business of the Corporation, is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, underwriting income is typically highest in the first and 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 and insurance contract liabilities and reinsureer's share of unpaid claims. Measurement of the financial instruments is detailed in Note 4. Insurance contract liabilities and reinsurer's share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value) as explained in note 3.

Estimates and Judgments

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

3. Summary of Significant Accounting Policies

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

Changes in Accounting Policies

IFRS 13 – Fair Value Measurement

IFRS 13 sets out, in a single IFRS, a framework for the definition and measurement of fair value and identifies disclosures about fair value measurement. The Corporation adopted IFRS 13 on March 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at March 1, 2013.

IAS 19R – Employee Benefits

IAS 19 was amended in June, 2011. Prior to the adoption of the amendments to IAS 19 the Corporation followed a policy whereby actuarial gains and losses on the remeasurement of employee future benefits were recognized in net income (loss) in the year in which they occurred. The Corporation now recognizes actuarial gains and losses on the remeasurement of employee future benefits in other comprehensive income in the year in which they occurred. The Corporation adopted IAS 19R on March 1, 2013 on a retrospective basis. The adoption of IAS 19R resulted in a restatement in the comparative figures. The following reconciliations provide a quantification of the effect of adoption IAS 19R on equity as at March 1, 2012 and February 28, 2013 and comprehensive income for the year ending February 28, 2013.

Reconciliation of equity at March 1, 2012

(in thousands of Canadian Dollars)	Basic		Non-Basic			Corporate		
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Capital Reserve (NB-CR)	Retained Earnings (NB-RE)	Extension Development Fund (EDF)	Retained Earnings	AOCI	Equity
As reported previously under IFRS as at March 1, 2012	155,700	57,983	72,000	67,060	20,769	373,512	58,115	431,627
Actuarial gains and losses	-	18,460	-	8,287	-	26,747	(26,747)	-
Restated balance at March 1, 2012	**155,700**	**76,443**	**72,000**	**75,347**	**20,769**	**400,259**	**31,368**	**431,627**

Reconciliation of equity at February 28, 2013

(in thousands of Canadian Dollars)	Basic		Non-Basic			Corporate		
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Capital Reserve (NB-CR)	Retained Earnings (NB-RE)	Extension Development Fund (EDF)	Retained Earnings	AOCI	Equity
As reported previously as at February 28, 2013	141,470	-	72,000	105,231	6,723	325,424	104,555	429,979
Difference on Transition	-	18,460	-	8,287	-	26,747	(26,747)	-
Actuarial gains and losses	-	9,110	-	4,039	-	13,149	(13,149)	-
Transfer between RSR & B-RE	8,330	(8,330)	-	-	-	-	-	-
Restated balance at February 28, 2013	**149,800**	**19,240**	**72,000**	**117,557**	**6,723**	**365,320**	**64,659**	**429,979**

Reconciliation of comprehensive loss for the year ending February 28, 2013

(in thousands of Canadian Dollars)

Comprehensive loss as reported under previous IFRS	$ (1,648)
Decrease to net loss for employee future benefits expense	13,149
Increase to other comprehensive loss for employee future benefits expense	(13,149)
Comprehensive loss - restated	$ (1,648)

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

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

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

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

i) AFS Financial Assets

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

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

ii) HTM Financial Assets

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

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

iii) FVTPL Financial Assets

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

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

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

Loans and Receivables

Accounts receivable and due from other insurance companies are designated as loans and receivables and are carried at amortized cost using the effective interest method. These receivables include financing plans for customers using interest rates set at the prime rate of the Corporation's principal banker plus 2.0% and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

Cash and Short-Term Investments

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

Impairment of Financial Assets

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

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

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

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

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

When an AFS asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. Subsequent declines in value continue to be recorded through profit and loss.

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

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

Derecognition of Financial Assets

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

Financial Liabilities

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

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

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

Derivatives

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

A currency swap is a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Fair Value Determination

The fair values of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Short-term investments comprise investments due to mature within 12 months from the date of purchase and are carried at fair value. Refer to Note 4 for further information on the fair value of financial instruments.

Deferred Policy Acquisition Costs

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis which will depreciate the cost of each asset to its residual value over its estimated useful life:

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

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

Investment Property

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

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

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

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

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

Deferred Development Costs (Intangible Assets)

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

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

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

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

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

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

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

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

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

Leasing

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

MANITOBA PUBLIC INSURANCE AS A LESSEE

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

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

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

MANITOBA PUBLIC INSURANCE AS A LESSOR

Manitoba Public Insurance leases retail, office and parking space in cityplace properties, a building and parking facilities owned by Manitoba Public Insurance. All of these leases are considered operating leases.

Revenue

PREMIUMS

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

UNEARNED PREMIUMS

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

INTEREST REVENUE

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

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. Current service costs and interest costs are recognized in net income in the current period. Actuarial gains and losses are recognized in other comprehensive income in the current period.

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 2013. Roll-forward procedures are performed to ensure that the December 31, 2013 valuation is a reliable estimate of the valuation at February 28, 2014.

ii. **Other Benefit Plans**

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

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

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

PROVISION FOR UNPAID CLAIMS

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

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

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

LIABILITY ADEQUACY TEST

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

Salvage and Subrogation

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

Allocation of Revenue, Claims Incurred and Expenses

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

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

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

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

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

Expenses, including claims expense, are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations on the following basis:

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

ii. Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees, time usage, 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.

Foreign Currency

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

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

Basic Insurance Rate Stabilization Reserve

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

Extension Development Fund

The Extension Development Fund (EDF) is an appropriation from the non-Basic Lines Retained Earnings. The EDF was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing.

As of February 28, 2014 the EDF fund was depleted to zero and was closed.

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the Basic and non-Basic lines of business. Non-Basic lines of business consists of Extension and Special Risk Extension lines of business and *The Drivers and Vehicles Act* operations.

Comprehensive Income

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Corporation must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment of accounts receivable. At February 28, 2014 the allowance for doubtful accounts on accounts receivable is $6.5 million (Note 29).

DEFERRED DEVELOPMENT COSTS (INTANGIBLE ASSETS)

Deferred development costs represent $68.6 million of total assets on the Statement of Financial Position at February 28, 2014 (Note 9). A significant portion of ongoing expenditures relate to information systems development. Management estimates the expected period of benefit over which capitalized costs will be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and customer service requirements, as well as historical experience and internal plans for the projected use of the information systems.

PROVISION FOR UNPAID CLAIMS

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

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

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by the Corporation on an ongoing basis to reflect recent and emerging trends in experience. Sensitivity of these assumptions and the impact on net insurance contract liabilities and equity are fully disclosed in note 18.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

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

FAIR VALUE OF LEVEL THREE AFS AND FVTPL INVESTMENTS

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

Future Changes in Accounting Policy and Disclosure

Certain new standards, interpretations, amendments and improvements to existing standards were issued by The International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual reporting periods beginning on January 1, 2014 or later periods. The standards that may have an impact to the Corporation are:

IFRS 4 – Insurance Contracts
The IASB is undertaking Phase II of the Insurance Contracts project to develop a standard to replace the interim IFRS 4, *Insurance Contracts* that was developed in Phase I. The revised exposure draft of the new IFRS was released in June 2013. The exposure draft continues to propose a new standard on accounting for insurance contracts which would replace IFRS 4. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on financial reporting of insurers. A final standard is expected in 2015 with implementation not expect before 2018. The corporation continues to monitor developments in this area.

IFRS 7 – Financial Instruments: Disclosures
IFRS 7 was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39 – "Financial Instruments: Recognition and Measurement" to IFRS 9 – "Financial Instruments". The amendments are effective on adoption of IFRS 9 which is pending the finalization of impairment and classification and measurement requirements.

IFRS 9 – Financial Instruments
IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new model only having two categories: amoritized cost and fair value. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at FVTPL or fair value through OCI. The Standard is effective for annual periods beginning on or after January 1, 2015. Restatement of comparative period financial statements is not required on initial application.

4. Investments

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

Short-term investments have a total principal amount of $89.7 million (2013 – $176.3 million) comprised of provincial short-term deposits with effective interest rates of 0.87% to 0.89% (2013 - 0.91% to 0.93%), 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 (2013 - $5.0 million). There were no drawdowns against this line of credit at February 28, 2014 (2013 – nil).

Cash and Investments

(in thousands of Canadian dollars)	**Financial Instruments**				
As at February 28, 2014	**Classified as Available for Sale**	**Classified as Held to Maturity**	**Classified as Fair Value Through Profit or Loss**	**Non-Financial Instruments**	**Total Carrying Value**
Cash and short-term investments	**93,208**	**-**	**-**	**-**	**93,208**
Bonds					
Federal	**-**	**-**	**89,512**	**-**	**89,512**
Manitoba:					
Provincial	**-**	**-**	**270,443**	**-**	**270,443**
Municipal	**-**	**12,599**	**17,615**	**-**	**30,214**
Hospitals	**-**	**-**	**11,482**	**-**	**11,482**
Schools	**-**	**567,853**	**-**	**-**	**567,853**
Other provinces:					
Provincial	**-**	**-**	**447,472**	**-**	**447,472**
Municipal	**-**	**-**	**84,519**	**-**	**84,519**
Corporations	**-**	**-**	**49,351**	**-**	**49,351**
	-	**580,452**	**970,394**	**-**	**1,550,846**
Other investments	**3,885**	**-**	**-**	**-**	**3,885**
Infrastructure	**-**	**-**	**48,049**	**-**	**48,049**
Cash and investments	**97,093**	**580,452**	**1,018,443**	**-**	**1,695,988**
Equity investments	**519,705**	**-**	**-**	**-**	**519,705**
Pooled Real Estate Fund	**-**	**-**	**192,920**	**-**	**192,920**
Investment property	**-**	**-**	**-**	**38,312**	**38,312**
	616,798	**580,452**	**1,211,363**	**38,312**	**2,446,925**

(in thousands of Canadian dollars)	Financial Instruments				
As at February 28, 2013	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Carrying Value
Cash and short-term investments	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
Pooled Real Estate Fund	-	-	173,002	-	173,002
Investment property	-	-	-	36,085	36,085
	737,210	551,574	998,326	36,085	2,323,195

Fair Value Measurement

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

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

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

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

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

As at February 28, 2014 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**79,017**	**875,957**	**15,420**
Infrastructure	**-**	**-**	**48,049**
Investment property	**-**	**192,920**	**-**
Total FVTPL financial assets	**79,017**	**1,068,877**	**63,469**
AFS financial assets			
Cash and short term investments	**93,208**	**-**	**-**
Other investments	**-**	**-**	**3,885**
Equity investments	**519,705**	**-**	**-**
Total AFS financial assets	**612,913**	**-**	**3,885**
Total assets measured at fair value	**691,930**	**1,068,877**	**67,354**

As at February 28, 2013 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	86,920	699,688	16,285
Infrastructure	-	-	22,431
Investment property	-	173,002	-
Total FVTPL financial assets	86,920	872,690	38,716
AFS financial assets			
Cash and short term investments	170,882	-	-
Other investments	-	-	4,099
Equity investments	562,229	-	-
Total AFS financial assets	733,111	-	4,099
Total assets measured at fair value	820,031	872,690	42,815

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Balance at March 1	**38,716**	24,786	**4,099**	6,771
Total gains/(losses)				
Included in net income	**726**	4,124	**-**	--
Included in other comprehensive income	**-**	-	**193**	1,017
Purchases	**24,027**	9,806	**-**	28
Sales	**-**	-	**(407)**	(3,717)
Balance at February 28	**63,469**	38,716	**3,885**	4,099

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

Impairment

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

As at February 28, 2014			
(in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Available for sale	**2,590**	**(1,194)**	**1,396**
	2,590	**(1,194)**	**1,396**

As at February 28, 2013			
(in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Available for sale	10,086	(3,957)	6,129
	10,086	(3,957)	6,129

Investment Income

(in thousands of Canadian dollars)	**2014**	2013 Restated
Interest income	**47,704**	48,765
Gain (loss) on sale of FVTPL bonds	**(7,228)**	17,054
Unrealized loss on FVTPL bonds	**(15,792)**	(9,075)
Unrealized gain on investment property	**19,918**	18,915
Gain on infrastructure investments	**982**	690
Unrealized gain on infrastructure investments	**1,591**	1,035
Dividend income	**14,021**	11,058
Gain on sale of equities	**114,188**	7,374
Gain on foreign exchange	**2,478**	-
Income from investment property	**2,529**	1,751
Impairment of AFS investments	**(1,194)**	(3,957)
Investment management fees	**(4,074)**	(4,280)
Total	**175,123**	89,330

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.1 million (2013 – $4.3 million). This includes $2.7 million (2013 – $3.0 million) of fees the Province paid to outside managers on the Corporation's behalf.

5. Investment Property – Non-Financial Instruments

(in thousands of Canadian dollars)	cityplace Building*	Adjacent Surface Parking Lots	Adjacent Parkade	Total
Cost				
Balance at March 1, 2012	23,822	4,578	10,822	39,222
Additions	-	-	-	-
Balance at February 28, 2013	23,822	4,578	10,822	39,222
Additions	3,051	-	-	3,051
Balance at February 28, 2014	**26,873**	**4,578**	**10,822**	**42,273**
Accumulated Depreciation				
Balance at March 1, 2012	1,686	-	632	2,318
Depreciation	596	-	223	819
Balance at February 28, 2013	2,282	-	855	3,137
Depreciation	601	-	223	824
Balance at February 28, 2014	**2,883**	-	**1,078**	**3,961**
Carrying Amounts				
At February 28, 2013	21,540	4,578	9,967	36,085
At February 28, 2014	**23,990**	**4,578**	**9,744**	**38,312**
Fair Value at February 28, 2014	**38,000**	**8,200**	**16,300**	**62,500**

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

6. Due from Other Insurance Companies

(in thousands of Canadian dollars)	**2014**	2013
Balance at March 1	**1,002**	2,545
Claims paid ceded to reinsurers	**3,105**	15,979
Less: recovery from reinsurers	**(27)**	(17,522)
Balance at February 28	**4,080**	1,002

7. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	**2014**	2013
Balance at March 1	**26,312**	40,547
Deferred during the year	**106,036**	101,645
Expensed during the year	**(103,985)**	(101,193)
Write-down	**(3,621)**	(14,687)
Balance at February 28	**24,742**	26,312

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

8. Property and Equipment

(in thousands of Canadian dollars)	Land & Buildings (1)	Furniture & Equipment (2)	Property under Finance Lease (3)	Property under Construction (4)	Total
Cost					
Balance at March 1, 2012	118,977	72,733	13,440	3,796	208,946
Additions	6	2,746	11	7,648	10,411
Disposals	-	(692)	-	-	(692)
Balance at February 28, 2013	118,983	74,787	13,451	11,444	218,665
Additions	-	1,648	-	5,207	6,855
Disposals	(602)	(6,906)	-	-	(7,508)
Transfer from (out of) Property under construction	9,409	-	-	(12,460)	(3,051)
Balance at February 28, 2014	**127,790**	**69,529**	**13,451**	**4,191**	**214,961**
Accumulated Depreciation					
Balance at March 1, 2012	21,585	63,452	643	-	85,680
Disposals	-	(641)	-	-	(641)
Depreciation	2,962	3,444	336	-	6,742
Balance at February 28, 2013	24,547	66,255	979	-	91,781
Disposals	(367)	(6,854)	-	-	(7,221)
Depreciation	2,955	3,260	336	-	6,551
Balance at February 28, 2014	**27,135**	**62,661**	**1,315**	-	**91,111**
Carrying Amounts					
At February 28, 2013	94,436	8,532	12,471	11,444	126,883
At February 28, 2014	**100,655**	**6,868**	**12,136**	**4,191**	**123,850**

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

9. Deferred Development Costs

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2012	83,263
Additions	19,661
Balance at February 28, 2013	102,924
Additions	29,820
Balance at February 28, 2014	**132,744**
Accumulated Amortization	
Balance at March 1, 2012	46,464
Amortization	8,847
Balance at February 28, 2013	55,311
Amortization	8,847
Balance at February 28, 2014	**64,158**
Carrying Amounts	
At February 28, 2013	47,613
At February 28, 2014	**68,586**

Deferred development costs of $56.0 million (2013 - $26.2 million) have not yet been put into use and are currently not being amortized. No impairments were recognized during the year (2013 – nil)

10. Due to Other Insurance Companies

(in thousands of Canadian dollars)	**2014**	2013
Balance at March 1	**1,788**	5,791
Change in reinsurance ceded premiums written less installment payments	**86**	(3,091)
Change in amounts received as collateral for reinsurers' share of unpaid claims	**60**	(912)
Balance at February 28	**1,934**	1,788

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2014**	2013
Due to the Province of Manitoba	**10,566**	11,746
Payroll	**2,973**	2,120
Broker commissions	**8,085**	5,735
Provision for fleet rebates	**14,178**	13,893
International Registration Program payable to other jurisdictions	**3,445**	2,497
Other payables and accrued liabilities	**23,779**	22,236
Balance at February 28	**63,026**	58,227

12. Financing Lease Obligation

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

(in thousands of Canadian dollars with the exception of interest rates)	**2014**	2013
Interest rate	**6.70%**	6.70%
Interest expense for the year	**299**	302
Financing lease obligation at February 28	**4,425**	4,482

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Not later than one year	**356**	356	**343**	343
Later than one year and not later than five years	**1,499**	1,479	**1,311**	1,293
Later than five years	**6,610**	6,985	**3,988**	4,092
Total	**8,465**	8,820	**5,642**	5,728

13. Operating Leases

AS A LESSEE:

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

Non-cancellable operating lease rentals are payable as follows:

(in thousands of Canadian dollars)	**2014**	2013
Not later than one year	**826**	779
Later than one year and not later than five years	**2,877**	1,716
Later than five years	**1,980**	2,291
Total	**5,683**	4,786

During the year ended February 28, 2014, $850 thousand was recognized as an expense for operating leases (2013 - $919 thousand) in the Statement of Operations.

AS A LESSOR:

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

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

(in thousands of Canadian dollars)	**2014**	2013
Not later than one year	**3,319**	2,184
Later than one year and not later than five years	**11,578**	8,241
Later than five years	**8,450**	8,840
Total	**23,347**	19,265

During the year ended February 28, 2014, income from investment property includes gross rental income from operating leases of $12.6 million (2013 - $11.0 million) and gross rental expenses pertaining to operating leases of $10.0 million (2013 - $9.2 million). Included in rental income is income contingent on retail sales of $189 thousand (2013 - $183 thousand).

14. Unearned Premiums and Fees

		2014			2013	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**	Gross	Reinsurers' Share	Net
Unearned premiums						
Balance at March 1	**435,478**	**69**	**435,409**	443,387	3,340	440,047
Premiums written	**995,556**	**17,564**	**977,992**	948,818	12,547	936,271
Premiums earned	**(973,921)**	**(17,572)**	**(956,349)**	(956,727)	(15,818)	(940,909)
Balance at February 28	**457,113**	**61**	**457,052**	435,478	69	435,409
Prepaid premiums	**36,070**	**-**	**36,070**	35,139	-	35,139
Unearned fees	**4,628**	**-**	**4,628**	4,360	-	4,360
Balance at February 28	**497,811**	**61**	**497,750**	474,977	69	474,908

15. Provision for Employee Current Benefits

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

(in thousands of Canadian dollars)	**2014**	2013
Balance at March 1	**21,501**	21,109
Provisions incurred	**15,351**	15,245
Payments	**(15,052)**	(14,853)
Balance at February 28	**21,800**	21,501

16. Provision for Employee Future Benefits

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

The Corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2013, with the next scheduled actuarial valuation being December 31, 2014.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. Results from the most recent actuarial valuations, projected to February 28, 2014 and the corresponding economic assumptions are as follows:

Assumptions:	Pension Benefit Plan		Other Benefit Plans	
	2014	2013 Restated	**2014**	2013 Restated
Discount rate	**4.20%**	3.90%	**4.20%**	3.90%
Inflation rate	**2.00%**	2.00%		
Expected salary increase	**0.00%**	0.00%		
Expected health care cost increase (out of scope)			**5.80%**	5.90%
Expected health care cost increase (in scope)			**2.00%**	2.00%

Change in benefit obligations:

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**2014**	2013 Restated	**2014**	2013 Restated
Balance at March 1	**285,360**	260,415	**46,795**	40,847
Current service cost	**12,245**	12,554	**4,084**	5,305
Interest cost	**11,710**	10,956	**772**	727
Benefits paid	**(8,733)**	(8,345)	**(2,879)**	(3,453)
Remeasurement (gains) losses recognized in Other Comprehensive Income	**(15,256)**	9,780	**(960)**	3,369
Balance at February 28	**285,326**	285,360	**47,812**	46,795
Employee contribution for the year	**8,257**	7,375	**-**	-

Plan Assets

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

Benefit Plan Expenses

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Current service cost	**12,245**	12,554	**4,084**	5,305
Interest cost	**11,710**	10,956	**772**	727
	23,955	23,510	**4,856**	6,032

Sensitivity analysis

Based on the December 31, 2013 actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan	
Gain due to discount rate increasing from 4.20% to 5.20% (plus 1.00%)	(43,298)
Loss due to discount rate decreasing from 4.20% to 3.20% (minus 1.00%)	56,319
Loss due to mortality life expectancy at age 65 up one year	8,530
Loss due to inflation indexing (2/3rd COLA) increasing from 2.00% to 3.00% (plus 1.00%)	23,153
Gain due to inflation indexing (2/3rd COLA) decreasing from 2.00% to 1.00% (minus 1.00%)	(20,372)
Other Benefit Plans	
Gain due to discount rate increasing from 4.20% to 5.20% (plus 1.00%)	(3,929)
Loss due to discount rate decreasing from 4.20% to 3.20% (minus 1.00%)	5,214
Loss due to mortality life expectancy at age 65 up one year	1,211
Loss due to health care cost inflation indexing increasing 1.00%	5,016
Gain due to health care cost inflation indexing decreasing 1.00%	(3,923)

17. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at the end of February, 2014 and 2013.

(in thousands of Canadian dollars)	**2014**	2013
Gross Insurance Contract Provisions		
Outstanding case reserves	**1,164,186**	1,046,236
Provision for incurred but not reported claims	**306,852**	286,815
Provision for internal loss adjusting expenses	**168,255**	154,455
Effect of discounting	**(233,065)**	(202,697)
Provision for adverse deviation	**281,762**	273,215
Premium deficiency	**20,724**	-
Total Gross Provision for Unpaid Claims	**1,708,714**	1,558,024
Total Gross Provision for Unearned Premiums	**457,113**	435,478
Total Gross Insurance Contract Provisions	**2,165,827**	1,993,502
Reinsurance Ceded		
Outstanding case reserves	**21,487**	29,288
Provision for incurred but not reported claims	**1,728**	1,714
Effect of discounting	**(291)**	(331)
Provision for adverse deviation	**1,817**	3,061
Total Reinsurers’ Share of Unpaid Claims	**24,741**	33,732
Total Reinsurers’ Share of Unearned Premiums	**61**	69
Total Reinsurers’ Share of Insurance Contract Provisions	**24,802**	33,801
Net Insurance Contract Provisions		
Outstanding case reserves	**1,142,699**	1,016,948
Provision for incurred but not reported claims	**305,124**	285,101
Provision for internal loss adjusting expenses	**168,255**	154,455
Effect of discounting	**(232,774)**	(202,366)
Provision for adverse deviation	**279,945**	270,154
Premium deficiency	**20,724**	-
Total Net Provision for Unpaid Claims	**1,683,973**	1,524,292
Total Net Provision for Unearned Premiums	**457,052**	435,409
Total Net Insurance Contract Provisions	**2,141,025**	1,959,701

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at the end of February, 2014 and 2013.

(in thousands of Canadian dollars)	**2014**		
	Gross	**Reinsurance Ceded**	**Net**
Basic	**1,908,747**	**16,122**	**1,892,635**
Extension	**97,959**	**(603)**	**98,562**
Special Risk Extension	**110,433**	**7,767**	**102,666**
Total undiscounted	**2,117,139**	**23,276**	**2,093,863**
Discounting with Provision for Adverse Deviation	**48,697**	**1,526**	**47,171**
Total Insurance Contract Provisions	**2,165,836**	**24,802**	**2,141,034**

(in thousands of Canadian dollars)	2013		
	Gross	Reinsurance Ceded	Net
Basic	1,733,209	23,420	1,709,789
Extension	96,925	(595)	97,520
Special Risk Extension	92,850	8,246	84,604
Total undiscounted	1,922,984	31,071	1,891,913
Discounting with Provision for Adverse Deviation	70,518	2,730	67,788
Total Insurance Contract Provisions	1,993,502	33,801	1,959,701

18. Claims Liabilities

METHODOLOGY AND ASSUMPTIONS

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

Loss Development Method

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

Bornheutter-Ferguson Method

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

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

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

- For Comprehensive coverage, catastrophic losses are removed from the triangles. For the purpose of the valuation, catastrophic losses are defined as losses from a single catastrophic event whereby the incurred losses from the event exceed the Corporation's

catastrophe retention level for the applicable accident year. The claim liabilities for these catastrophic losses are evaluated separately.
- For indexed coverages, prior years' losses are brought to current benefit levels so that the loss development factors are unaffected by indexation.

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

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

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

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

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

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

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

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

CHANGES IN ASSUMPTIONS

Adjustment to the Selected IBNR for Claims Reporting Backlog

The Corporation experienced a significant increase in the number of collision claims for the most recent accident year due to a worse than normal winter season. As a result, there were significant delays in the claims reporting process. To adjust for this, the selected IBNR for Basic Collision, Basic Property Damage and Extension Collision were adjusted upwards to reflect the collision claims not yet reported.

The change in the selected IBNR increased the discounted net claim liabilities by $18.8 million and ILAE provision by $3.8 million.

Basic Accident Benefits Weekly Indemnity & Accident Benefits Other (Indexed) – Change in Selected Incurred But Not Reported

In the February 28, 2013 valuation, for both Basic Accident Benefits Weekly Indemnity and Accident Benefits Other (Indexed), the incurred but not reported (IBNR) for the five most recent years were selected as the higher of the indicated IBNR using the incurred Bornheutter-Ferguson method and the paid Bornheutter-Ferguson method. For the February 28, 2014 valuation, this "higher of" method is used only for the three most recent years. This change is a reversion to the method used in the February 28, 2013 valuation, and recognizes the significant reserve strengthening done in the fiscal year 2014.

The change in the selected IBNR increased the discounted net claim liabilities by $25.9 million and ILAE provision by $5.2 million

Basic Accident Benefits Weekly Indemnity – Change in Claims Development Margin for Adverse Deviation

For Accident Benefits Weekly Indemnity losses older than 10 years, i.e. for losses occurring prior to March 1, 2005, the selected claims development margin for adverse deviation was reduced from 15.00% to 10.00%. These losses are fully-reserved for life at fixed biweekly payment amounts, with the only claims development risk being mortality improvement. The reduction results in a decrease in the discounted net claim liabilities of $7.1 million and ILAE provision of $0.9 million

Basic Personal Injury Protection Plan (PIPP) Enhancement – Expected Utilization

The expected utilization for certain PIPP Enhancement coverages were reduced significantly to reflect the actual utilization. The reduction in the expected utilization decreased the discounted net claim liabilities by $6.6 million.

Change in Loss Development Factors

The selected loss development factors for all coverages are reviewed and revised to reflect an additional year of actual losses. The aggregate effect of all revisions to the selected loss development factors was an increase in the discounted net claim liabilities of $32.2 million and ILAE provision of $6.4 million

Change in Discount Rate

The selected discount rate, determined based on the average duration weighted yield for the Corporation's bond portfolio, increased by 15 basis points from 3.53% to 3.68% between the February 28, 2013 valuation and the February 28, 2014 valuation. The increase in the selected discount rate decreased the discounted net claim liabilities by $23.9 million and ILAE provision by $2.5 million.

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

Balance at February 28, 2014 (in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,492,848**	**24,723**	**1,468,125**
Physical Damage	**212,080**	**18**	**212,062**
	1,704,928	**24,741**	**1,680,187**
Discontinued Operations - Personal/Commercial Lines	**3,786**	**-**	**3,786**
	1,708,714	**24,741**	**1,683,973**

Balance at February 28, 2013 (in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Automobile Insurance Division			
Liability	1,386,170	33,586	1,352,584
Physical Damage	168,051	146	167,905
	1,554,221	33,732	1,520,489
Discontinued Operations - Personal/Commercial Lines	3,803	-	3,803
	1,558,024	33,732	1,524,292

CHANGES IN UNPAID CLAIMS AND ILAE PROVISION

Gross

(in thousands of Canadian dollars)	**2014**	2013
Discounted unpaid claims at March 1	**1,403,569**	1,343,762
Effect of discounting and Provision for Adverse Deviation	**(70,518)**	(94,430)
Undiscounted unpaid claims at March 1	**1,333,051**	1,249,332
Ultimate claims for current accident year	**747,160**	662,672
Payment on current accident year claims	**(416,247)**	(394,777)
Change in ultimate claims from prior accident years	**71,397**	57,194
Payments on prior accident years claims	**(264,323)**	(241,370)
Undiscounted unpaid claims at February 28	**1,471,038**	1,333,051
Effect of discounting and Provision for Adverse Deviation	**48,697**	70,518
Premium deficiency	**20,724**	-
Discounted unpaid claims at February 28	**1,540,459**	1,403,569
ILAE provision	**168,255**	154,455
Total unpaid claims provision	**1,708,714**	1,558,024

Reinsurance Ceded

(in thousands of Canadian dollars)	**2014**	2013
Discounted unpaid claims at March 1	**33,732**	31,289
Effect of discounting and Provision for Adverse Deviation	**(2,730)**	(2,278)
Undiscounted unpaid claims at March 1	**31,002**	29,011
Ultimate claims for current accident year	**2,796**	477
Payment on current accident year claims		
Less: Payments on current accident years	**(2,246)**	-
Change in ultimate claims from prior accident years	**3,132**	6,995
Payments on prior accident years claims	**(11,469)**	(5,481)
Undiscounted unpaid claims at February 28	**23,215**	31,002
Effect of discounting and Provision for Adverse Deviation	**1,526**	2,730
Discounted unpaid claims at February 28	**24,741**	33,732
ILAE provision	**-**	-
Total unpaid claims provision	**24,741**	33,732

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2014**	2013
Discounted unpaid claims at March 1	**1,369,837**	1,312,473
Effect of discounting and Provision for Adverse Deviation	**(67,789)**	(92,152)
Undiscounted unpaid claims at March 1	**1,302,048**	1,220,321
Ultimate claims for current accident year	**744,364**	662,195
Payment on current accident year claims	**(414,001)**	(394,777)
Change in ultimate claims from prior accident years	**68,265**	50,199
Payments on prior accident years claims	**(252,853)**	(235,889)
Undiscounted unpaid claims at February 28	**1,447,823**	1,302,049
Effect of discounting and Provision for Adverse Deviation	**47,171**	67,788
Premium deficiency	**20,724**	-
Discounted unpaid claims at February 28	**1,515,718**	1,369,837
ILAE provision	**168,255**	154,455
Total unpaid claims provision	**1,683,973**	1,524,292

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PFAD) of $279.9 million (2013 – $270.2 million). This is comprised of a claims development PFAD of $153.5 million (2013 – $146.8 million), an interest rate PFAD of $125.3 million (2013 – $121.9 million), and a reinsurance PFAD of $1.1 million (2013 - $1.5 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (2013 – nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

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

DEVELOPMENT OF ULTIMATE CLAIMS

Gross	Accident Year							7 Year
(in thousands of Canadian dollars)	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of ultimate claims costs								
At end of accident year	691,105	605,403	641,528	633,831	624,935	662,672	747,160	
One year later	672,846	591,749	611,577	627,341	628,331	688,939		
Two years later	669,780	576,027	608,583	635,392	648,565			
Three years later	638,322	556,757	610,837	633,448				
Four years later	636,848	576,287	604,017					
Five years later	642,221	578,040						
Six years later	647,992							
Current estimate of cumulative claims cost	647,992	578,040	604,017	633,448	648,565	688,939	747,160	4,548,161
Cumulative payments to date	572,665	507,377	529,579	558,045	546,344	562,245	416,247	3,692,502
Current estimate of surplus (deficiency)	43,113	27,363	37,511	383	(23,630)	(26,267)	-	

Net of Reinsurance Ceded	Accident Year							7 Year
(in thousands of Canadian dollars)	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of ultimate claims costs								
At end of accident year	649,685	604,932	618,906	633,302	624,467	662,195	744,364	
One year later	632,233	591,300	590,027	626,998	628,030	688,605		
Two years later	629,452	575,765	586,460	635,164	648,282			
Three years later	598,087	556,562	590,448	633,271				
Four years later	595,360	576,148	583,748					
Five years later	601,993	577,951						
Six years later	607,862							
Current estimate of cumulative claims cost	607,862	577,951	583,748	633,271	648,282	688,605	744,364	4,484,084
Cumulative payments to date	532,605	507,377	509,454	558,045	546,344	562,245	414,001	3,630,072
Current estimate of surplus (deficiency)	41,823	26,981	35,158	31	(23,815)	(26,410)	-	

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporations claim liabilities. PIPP claim liabilities are also the most uncertain because of the long term nature of these benefits. A 5.00% increase in net PIPP claim liabilities is equal to approximately $46.2 million. Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected. A 1.00% decrease in the interest rate would increase PIPP claim liabilities by approximately $108.7 million. We have assumed that the interest rate with margin will not be less than zero. However, this impact would be largely offset by gains on the Corporation’s fixed income portfolio. Changes to the assumptions for other coverages or lines of business are considered to be less material.

19. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2014, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (2013 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $15.8 million (2013 – $16.7 million). These arrangements protect the Corporation against losses up to $266.7 million (2013 – $266.7 million).

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

20. Extension Development Fund

Activity in the Extension Development Fund includes:

(in thousands of Canadian dollars)	**2014**	2013
Balance at March 1	**6,723**	**20,769**
Transfer to Non-Basic Retained Earnings for IT optimization projects	**-**	**(728)**
Transfer to Non-Basic Retained Earnings for program costs	**(6,723)**	**(13,318)**
Balance at February 28	**-**	**6,723**

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

21. Accumulated Other Comprehensive Income

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

(in thousands of Canadian dollars)	Equity Investments	Other Investments (Restated)	Total AOCI (Restated)
Balance at March 1, 2012	55,010	(23,642)	31,368
Unrealized gains on AFS assets	52,791	1,023	53,814
Employee future benefits gains (losses)	-	(13,149)	(13,149)
Reclassification of net realized gains related to AFS assets	(5,337)	(2,037)	(7,374)
Balance at February 28, 2013 (restated)	102,464	(37,805)	64,659
Unrealized gains on AFS assets	108,763	207	108,970
Employee future benefits gains (losses)	-	16,216	16,216
Reclassification of net realized gains related to AFS assets	(112,732)	(262)	(112,994)
Balance at February 28, 2014	**98,495**	**(21,644)**	**76,851**

22. Service Fees and Other Revenue

(in thousands of Canadian dollars)	**2014**	2013
Transaction fees	**7,690**	7,284
Time payment fees	**2,719**	2,642
Time payment interest	**13,132**	12,501
Late payment fees	**1,106**	1,130
Dishonoured payment fees	**772**	692
Identity card/Enhanced identity card fees	**294**	377
Other miscellaneous revenue	**2,988**	951
	28,701	25,577

23. The *Drivers and Vehicles Act* Operations Recovery

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

The Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payments to the Corporation are $27.9 million per year.

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

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

(in thousands of Canadian dollars)	**2014**	2013
Vehicle registration fees	**175,877**	160,503
Driver licensing fees	**22,913**	22,788
	198,790	183,291

24. Net Loss From Operations

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

(in thousands of Canadian dollars)	**2014**	2013 Restated
Basic insurance	**(69,162)**	(63,103)
Extension insurance	**31,125**	28,724
Special risk extension insurance	**(6,932)**	10,362
The *Drivers and Vehicles Act* operations	**121**	(10,922)
	24,314	28,164
Net loss from operations	**(44,848)**	(34,939)

25. Discontinued General Insurance Operations

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

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

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

Discontinued operations resulted in a net income of $0.3 million (2013 – $0.1 million) which is reported as part of the Special Risk Extension line of business (Note 24). Included in the provision for unpaid claims is $3.8 million (2013 – $3.8 million) relating to discontinued operations.

26. Commitments

As of February 28, 2014, the Corporation has no material commitments.

27. Related-Party Transactions

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

(in thousands of Canadian dollars)	**2014**	2013
Short term benefits	**1,608**	1,497
Post-employment benefits	**196**	154
Other long-term benefits	**24**	20
Termination benefits	**-**	150
	1,828	1,821

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

28. Capital Management

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

The Extension Development Fund, which was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing. (Refer to Notes 3 and 20 for full details of the Extension Development Fund.)

Basic Retained Earnings are comprised of the Rate Stabilization Reserve (RSR) and Retained Earnings in excess of RSR. The Corporation's Board of Directors current target RSR level is $172.0 million (2013 - $200.0 million) based on the 2013 Basic Insurance Dynamic Capital Adequacy Test

(DCAT) report. In his report, the Corporations' chief actuary concluded that a minimum RSR level of $172.0 million would be required for Basic to achieve a satisfactory future financial condition. An RSR level lower than $172.0 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% to 20.0% of written premiums. Based on the Public Utilities Board methodology, as at February 28, 2014, this range is $78.5 million to $156.9 million (2013 - $74.6 million to $149.8 million). In Order No. 11.12, the DCAT Technical Conference shall continue, on terms, and pending the Board's determination of the RSR target, the RSR target range will continue to be calculated on the basis of the Kopstein approach.

The Corporation's Board of Directors' current target level for Extension Retained Earnings is $72.0 million (2013 - $35.0 million) based on the 2013 Extension MCT report. Based on this target the Corporation's internal actuary has concluded that the future financial condition of this line of business is satisfactory.

The Corporation's Board of Directors' current target level of $42.0 million (2013 - $37.0 million) for SRE Retained Earnings is based on the 2013 SRE MCT report. The Corporation's internal actuary has concluded that, based on this target, the future financial condition of this line of business is satisfactory.

29. Financial Risk Management

Investments carry certain financial risks including market risk, credit risk and liquidity risk. In accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act,* the Minister of Finance is responsible for the investments of the Corporation. The Minister has charged the Department of Finance with the operational management of the fund. The Corporation, through the Investment Committee of the Board, and the Department jointly determine appropriate policies and strategies to mitigate risk. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Market Risk

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

CURRENCY RISK

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. At February 28, 2014, total foreign denominated financial instruments had a carry value of $124.8 million U.S. ($139.0 million Cdn) and £6.2 million GBP ($9.7 million Cdn) which is approximately 6.1% of the Corporation's investment portfolio.

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10.0 million. The currency swap provides a fixed 5.76% return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5% rate based on the U.S. $10.0 million par value of the bond and receives 5.76% return based on a Canadian dollar notional value of $13.4 million. As of February 28, 2014 the fair value of the swap was $15.4 million. The maturity date of the currency swap and the bond is July 15, 2023.

INTEREST RATE RISK

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

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

Bonds	Average Effective Rate - %	
	2014	2013
Federal	**2.57**	2.51
Provincial	**2.75**	2.70
Municipal	**3.93**	3.48
Hospitals	**1.94**	1.97
Schools	**5.02**	5.19
Corporations	**2.28**	2.86

As at February 28, 2014, a 100 basis point increase in interest rates would result in a decrease in the fair value of the Corporation's fixed income portfolio of approximately $67.3 million (2013 - $64.0 million), whereas a 100 basis point decrease in interest rates would result in an increase in the fair value of the Corporation’s fixed income portfolio of approximately $78.9 million (2013 - $76.4 million). As all of the Corporation’s marketable fixed income assets are now classified as FVTPL, all changes would affect net income.

Fluctuations in interest rates would also have an impact on the Corporation's unpaid claims. The Corporation's duration of its fixed income portfolio approximates the duration of its unpaid claims liability and therefore, any change in interest rates related to these investments is largely mitigated by an offsetting impact on the unpaid claims liability.

EQUITY PRICE RISK

The fair value of equity securities held by the Corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 28, 2014, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $52.0 million (2013 - $56.2 million) change in other comprehensive income.

As all equities are classified as AFS, all changes in prices are recorded as other comprehensive income and do not directly impact the Statement of Operations until such time as an investment is sold or has become impaired (Refer to Note 3). The Corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

Credit Risk

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

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

(in thousands of Canadian dollars)	**2014**	2013
Cash and Investments	**93,208**	170,882
Bonds	**1,550,846**	1,354,467
Due from other insurance companies	**4,080**	1,002
Accounts receivable	**334,137**	321,293
Reinsurance receivable	**24,741**	33,732
Maximum credit risk exposure on the Statement of Financial Position	**2,007,012**	1,881,376

FIXED INCOME SECURITIES CREDIT RISK

The Corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according primarily to Moody's Investors Service at February 28. All Manitoba municipal, schools and hospitals bonds are backed by the Province of Manitoba and, as such, have been assigned the credit rating of the Province of Manitoba Bonds.

	2014		2013	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
AAA	**137,412**	**8.9**	127,756	9.4
AA	**1,391,128**	**89.7**	1,185,854	87.6
A	**22,306**	**1.4**	39,646	2.9
Not rated	**-**	**-**	1,211	0.1
	1,550,846	**100.0**	1,354,467	100.0

ACCOUNTS RECEIVABLE CREDIT RISK

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

The following table highlights the Corporation’s accounts receivable by major category.

(in thousands of Canadian dollars)	**2014**	2013
Policy and time payments	**296,978**	286,215
Accrued interest	**24,292**	25,130
Subrogation and other receivables	**19,388**	16,497
Allowance for doubtful accounts	**(6,521)**	(6,549)
Balance at February 28	**334,137**	321,293

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2014**	2013
Balance at March 1	**6,549**	7,057
Accounts written off	**(370)**	(675)
Current period provision	**342**	167
Balance at February 28	**6,521**	6,549

REINSURANCE RECEIVABLE CREDIT RISK

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $1.9 million (2013 – $1.8 million). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place.

For the 2013/2014 fiscal year, ten reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5% to 35.0% on any one layer. The reinsurer exposed to 35.0% of the losses is licensed in Canada by the Office of the Superintendent of Financial Institutions and, therefore, subject to minimum capital requirements.

For the 2013/2014 fiscal year, 17 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 35% of the reinsurance exposure on any one layer.

No amount due from reinsurers was considered uncollectible during 2013/2014 and no allowance for doubtful accounts has been established as at February 28, 2014.

STRUCTURED SETTLEMENTS CREDIT RISK

The Corporation has settled some insurance claims by purchasing structured settlements from life insurers. As of the Statement of Financial Position date, the present value of expected payments totals $149.7 million (2013 – $155.5 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan.

Liquidity Risk

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

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

Bonds - maturity profile

(in thousands of Canadian dollars)	**2014** **Within One Year**	**One Year To Five Years**	**After Five Years**	**Total Carrying Value**
Federal	**-**	**9,071**	**80,441**	**89,512**
Manitoba				
Provincial	**-**	**33,522**	**236,921**	**270,443**
Municipal	**165**	**10,702**	**19,347**	**30,214**
Hospitals	**-**	**11,482**	**-**	**11,482**
Schools	**703**	**8,784**	**558,366**	**567,853**
Other Provinces				
Provincial	**10,024**	**138,493**	**298,955**	**447,472**
Municipal	**5,133**	**5,555**	**73,831**	**84,519**
Corporations	**-**	**24,046**	**25,305**	**49,351**
	16,025	**241,655**	**1,293,166**	**1,550,846**

(in thousands of Canadian dollars)	2013 Within One Year	One Year To Five Years	After Five Years	Total Carrying Value
Federal	302	-	61,159	61,461
Manitoba				
Provincial	2,739	21,366	230,085	254,190
Municipal	14,267	10,141	20,592	45,000
Hospitals	-	12,107	-	12,107
Schools	1,805	3,216	531,412	536,433
Other Provinces				
Provincial	62,340	41,884	233,948	338,172
Municipal	-	5,290	57,733	63,023
Corporations	-	18,024	26,057	44,081
	81,453	112,028	1,160,986	1,354,467

Liability Liquidity

(in thousands of Canadian dollars)	**2014** **Within One Year**	**One Year To Five Years**	**After Five Years**	**Total Value**
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	**333,375**	**262,478**	**1,007,442**	**1,603,295**

(in thousands of Canadian dollars)	2013 Within One Year	One Year To Five Years	After Five Years	Total Value
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	277,800	232,595	928,071	1,438,466

30. Non-current assets and liabilities

The following table presents financial assets and liabilities the Corporation expects to recover or settle in 12 months or greater at February 28, 2014 and February 28, 2013.

(in thousands of Canadian dollars)	**2014**	2013
Assets:		
Bonds	**1,534,822**	1,273,014
Equity investments	**519,705**	562,228
Investment property	**192,919**	173,002
Infrastructure and other investments	**51,925**	26,530
Reinsurers' share of unpaid claims	**23,681**	32,627
Total assets	**2,323,052**	2,067,401
Liabilities:		
Financing lease obligation	**4,069**	4,126
Provision for paid claims	**1,359,878**	1,271,311
Total liabilities	**1,363,947**	1,275,437
Net assets due after one year	**959,105**	791,964

31. Rate Regulation

Under the provisions of *The Crown Corporations Public Review and Accountability Act,* the Public Utilities Board has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the Corporation. No new rates or fees for services can be introduced without the approval of the Public Utilities Board. This business comprises approximately 87% (2013 - 89%) of the total business based on net claims incurred.

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

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

32. Subsequent Events

No subsequent events have occurred after February 28, 2014.

33. Contingent Liabilities

The Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Corporation.