

Quarterly Financial Report

1st QUARTER

Three months ended
May 31, 2014



**Manitoba
Public Insurance**

Management Discussion and Analysis

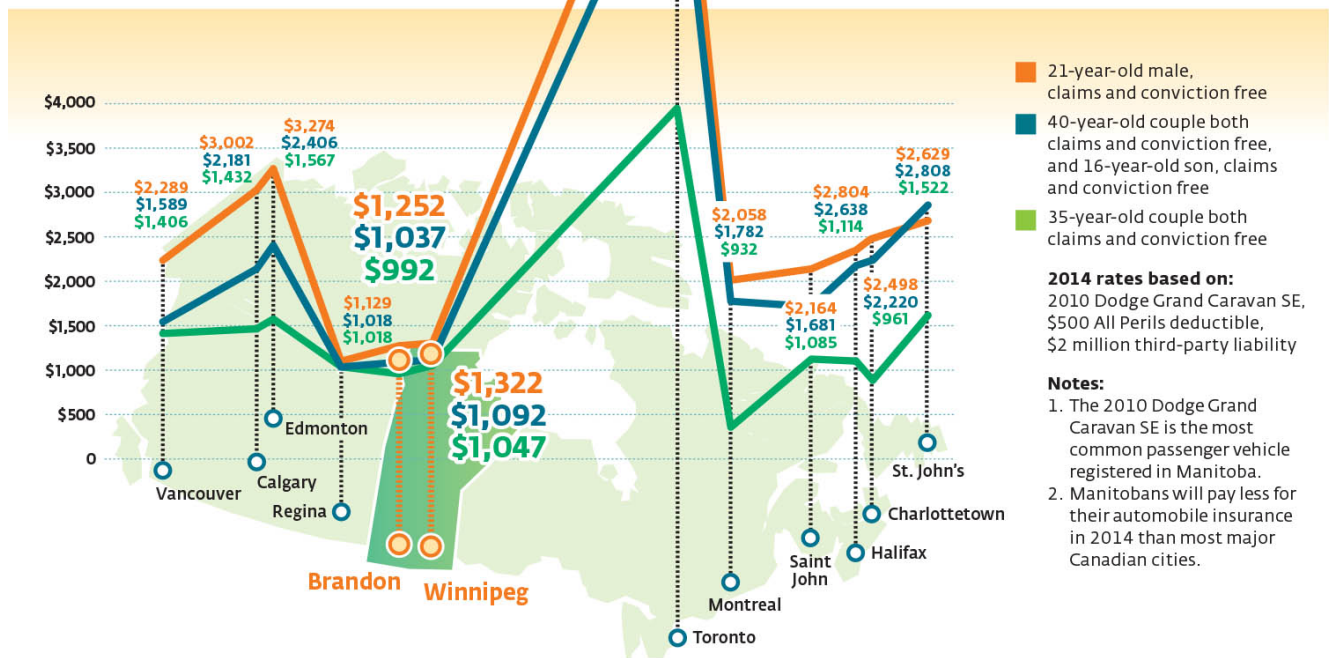
Management’s discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the first quarter ended May 31, 2014 included herein and the annual audited financial statements and supporting notes included in the Corporation’s 2013 Annual Report. Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Goal 1

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

Why? One reason for our creation was to deliver the best insurance value to Manitobans. This is the essence of our continuing success.

Among the lowest vehicle rates in Canada



- 21-year-old male, claims and conviction free
- 40-year-old couple both claims and conviction free, and 16-year-old son, claims and conviction free
- 35-year-old couple both claims and conviction free

2014 rates based on:
 2010 Dodge Grand Caravan SE, \$500 All Perils deductible, \$2 million third-party liability

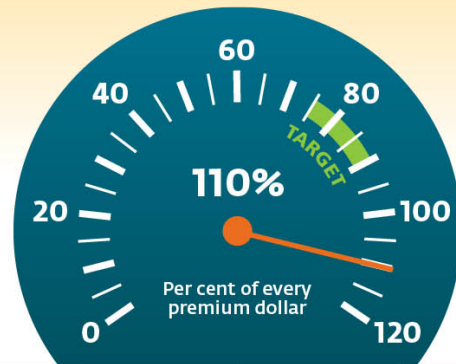
- Notes:**
1. The 2010 Dodge Grand Caravan SE is the most common passenger vehicle registered in Manitoba.
 2. Manitobans will pay less for their automobile insurance in 2014 than most major Canadian cities.

Goal 2

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

Why? Over the long-term, returns within this range strike the right balance. We pay back to Manitobans substantially more of their premiums than would private insurers, while keeping a sound financial footing.

Premium returned for each dollar earned



Past results for the 12 months ending

96% Q2 · 12/13	95% Q3 · 12/13	103% Q4 · 12/13	110% Q1 · 13/14	103% Q2 · 13/14	104% Q3 · 13/14	114% Q4 · 13/14	110% Q1 · 14/15
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Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service.

Why? By measuring key performance indicators, we can track the public's view of our performance.

Corporate Performance Index



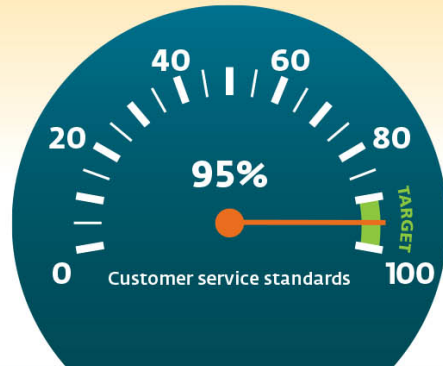
Past Results

3.6 Q2 · 12/13	3.7 Q3 · 12/13	3.6 Q4 · 12/13	3.6 Q1 · 13/14	3.5 Q2 · 13/14	3.7 Q3 · 13/14	3.6 Q4 · 13/14	3.5 Q1 · 14/15
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Goal 4

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

Overall, How Often We Meet/Exceed Standards



Why? We value our customers and put their interests first. Also, Manitobans expect more from us than from private insurers, because Manitoba Public Insurance is their company. We believe their higher expectations are justified.

Past Results (in per cent)

97%	97%	95%	95%	95%	95%	94%	95%
Q2 · 12/13	Q3 · 12/13	Q4 · 12/13	Q1 · 13/14	Q2 · 13/14	Q3 · 13/14	Q4 · 13/14	Q1 · 14/15

Customer satisfaction in major operational areas

Physical Damage Claims



Past Results (in per cent)

89%	89%	90%	84%
Q2 · 12/13	Q3 · 12/13	Q4 · 12/13	Q1 · 13/14
86%	86%	87%	85%
Q2 · 13/14	Q3 · 13/14	Q4 · 13/14	Q1 · 14/15

Bodily Injury Claims



Past Results (in per cent)

79%	81%
Q3 · 12/13	Q1 · 13/14
81%	83%
Q3 · 13/14	Q1 · 14/15

Driver and Vehicle Licensing



Past Results (in per cent)

94%	93%	93%	94%
Q2 · 12/13	Q3 · 12/13	Q4 · 12/13	Q1 · 13/14
92%	91%	89%	90%
Q2 · 13/14	Q3 · 13/14	Q4 · 13/14	Q1 · 14/15

Insurance Operations Policyholder Transactions



Past Results (in per cent)

93%	93%	92%	93%
Q2 · 12/13	Q3 · 12/13	Q4 · 12/13	Q1 · 13/14
90%	89%	87%	89%
Q2 · 13/14	Q3 · 13/14	Q4 · 13/14	Q1 · 14/15

Goal 5

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

Basic Rate Stabilization Reserve

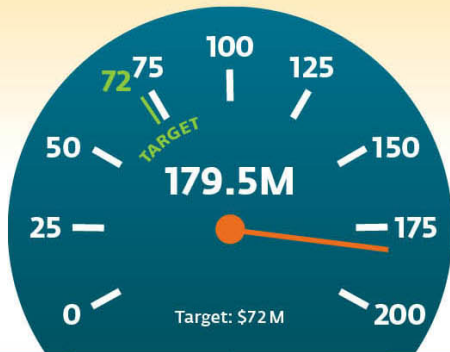


Why? Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the RSR within its target range helps us control rates when claim costs rise substantially. Manitobans deserve stable, affordable premiums over the long term.

Past Results

155.7M Q2 · 12/13	169.0M Q3 · 12/13	149.8M Q4 · 12/13	127.6M Q1 · 13/14	172.0M Q2 · 13/14	172.0M Q3 · 13/14	99.9M Q4 · 13/14	100.2 Q1 · 14/15
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Extension Retained Earnings



Past Results

117.3M Q2 · 12/13	121.8M Q3 · 12/13	132.4M Q4 · 12/13	141.9M Q1 · 13/14
152.4M Q2 · 13/14	159.7M Q3 · 13/14	169.1M Q4 · 13/14	179.5M Q1 · 14/15

SRE Retained Earnings



Past Results

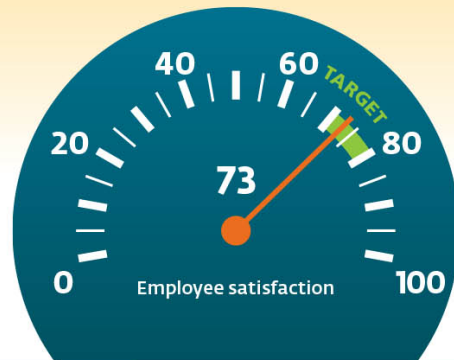
54.0M Q2 · 12/13	53.1M Q3 · 12/13	57.1M Q4 · 12/13	56.5M Q1 · 13/14
60.6M Q2 · 13/14	62.8M Q3 · 13/14	51.5M Q4 · 13/14	55.0M Q1 · 14/15

Goal 6

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

Why? We value our employees.

Level of Employee Satisfaction



Past Results

76 Q4 · 07/08	74 Q4 · 09/10	73 Q1 · 11/12
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Goal 7

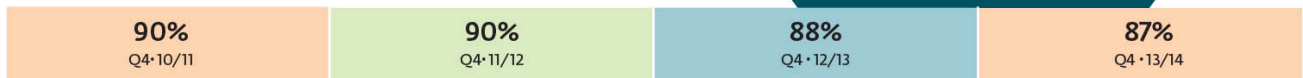
Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the Corporation is living its mission.

Why? Pursuing traffic safety and loss-prevention programs reflects our long standing commitment to the well-being of Manitobans and to affordable auto insurance. Manitobans have told us they support these efforts.

Public Support for Road Safety



Past Results (in per cent)



Results of Operations

Manitoba Public Insurance reported net income of \$14.2 million for the three months ended May 31, 2014 compared to net loss of \$33.9 million for the same period last year. This includes net income of \$0.3 million (2012 – net loss of \$41.5 million) from the Basic insurance line of business. Corporate net income increased from the previous year by \$48.1 million due to:

- i) an increase in earned revenues of \$14.0 million, offset by an increase in total expenses of \$1.1 million;
- ii) a decrease in claims cost of \$26.6 million;
- iii) a rise in investment income of \$8.6 million mainly due to the \$14.4 million unrealized gain on Fair Value Through Profit or Loss bonds, a \$2.2 million gain on sale of Fair Value Through Profit or Loss bonds, and a \$3.4 million unrealized gain on infrastructure, offset by a \$11.3 million decrease in gains on the sale of equities.

At the end of the fiscal year 2012/2013, the Manitoba Public Insurance adopted the IAS 19 amendment policy whereby actuarial gains and losses on the measurement of employee future benefits is now recognized 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 results for prior quarters in these interim financial statements have been restated to reflect this change.

Prior year statements have also been restated due to a change in Weighted Customer Call Centre Contact Ratio, the allocation percentage used as part of the cost allocation methodology. It was adjusted to better reflect actual call center activity.

Current Year and Last Year

Total earned revenues for the three months ended May increased from the previous year by \$14.0 million. This increase is primarily attributed to motor vehicle earned revenues which increased by \$11.8 million or 5.3%. The increase in earned revenues is primarily due to the growth in the number of vehicles on the road in Manitoba, and the value of these vehicles and movement of drivers down the Drivers Safety Rating scale resulted in higher premiums.

Claims costs for the three months ended May 31, 2014 decreased by \$26.6 million compared to last year due primarily to a decrease of \$35.7 million or 36.0% in bodily injury claims incurred, offset by an increase of \$9.6 million or 8.1% in physical damage claims incurred. Claims expense and road safety and loss prevention expenses collectively decreased by \$0.5 million or 1.5% from the previous year. The increase in physical damage claims incurred is primarily due to severe winter driving conditions and greater severity of claims.

Total expenses increased by \$1.2 million compared to last year due primarily to an increase of \$0.7 million or 3.8% in commission expenses and \$0.4 million or 5.8% in premium taxes.

Retained Earnings

Retained earnings of \$334.7 million (May 31, 2013 - \$320.5 million) are comprised of \$100.2 million for Basic insurance (May 31, 2013 - \$127.6 million) and \$234.5 million for non-Basic lines (May 31, 2013 - \$192.9 million). Basic insurance retained earnings are comprised of the Rate Stabilization Reserve of \$100.2 million. The non-Basic lines retained earnings are allocated to a capital reserve of \$114.0 million and \$120.5 million to retained earnings.

Outlook

The Corporation remains committed to achieving its seven Corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

Manitoba experienced a long winter with severe driving conditions; this has resulted in an increase in collision claims of 5.0 per cent and claims costs of 13.5 per cent. As a result, Manitoba Public Insurance is asking the Public Utilities Board (PUB) for a basic rate increase of 2.4 per cent and a rate stabilization reserve rebuilding fee of 1.0 per cent.

Overall:

- More than half of the policy holders will see a rate increase of \$20 or less, or a premium decrease
- 2.4 per cent of the rate increase will be directed to Basic insurance
- 1.0 per cent will be used to replenish the Rate Stabilization Reserve (RSR) Fund
- The average vehicle premium will be \$949 if the rate application is approved
- Motorcycle rates will decrease 6.1 per cent or \$61 per vehicle, the average motorcycle rate will decrease to \$939 from \$1,000
- If approved rate changes will take effect March 1, 2015

Manitoba Public Insurance is committed to keeping rates stable over the long term. The RSR and corporate efficiencies have helped to avoid passing the full 13.5 per cent increase in claims costs on to vehicle owners.

Condensed Interim Financial Statements

Condensed Interim Statement of Financial Position

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	May 31, 2014	February 28, 2014
Assets			
Cash and investments	5	1,680,633	1,695,988
Equity & pooled real estate funds investments	5	740,604	712,625
Investment property	5	38,088	38,312
Due from other insurance companies		19	4,080
Accounts receivable		349,713	334,137
Prepaid expenses		129	1,049
Deferred policy acquisition costs		24,358	24,742
Reinsurers' share of unearned premiums		13,361	61
Reinsurers' share of unpaid claims		16,714	24,741
Property and equipment		122,810	123,850
Deferred development costs		68,166	68,586
		3,054,595	3,028,171
Liabilities			
Due to other insurance companies		10,457	1,934
Accounts payable and accrued liabilities		50,552	63,026
Financing lease obligation		4,410	4,425
Unearned premiums		503,149	497,811
Provision for employee current benefits		22,255	21,800
Provision for employee future benefits		336,866	333,138
Provision for unpaid claims	4	1,698,339	1,708,714
		2,626,028	2,630,848
Equity			
Retained Earnings			
Basic Insurance Retained Earnings			
Rate Stabilization Reserve		100,212	99,878
Retained Earnings		-	-
		100,212	99,878
Non-Basic Retained Earnings			
Capital Reserve		114,000	114,000
Retained Earnings		120,508	106,594
		234,508	220,594
		334,720	320,472
Accumulated Other Comprehensive Income		93,847	76,851
Total Equity		428,567	397,323
		3,054,595	3,028,171

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

Condensed Interim Statement of Operations

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	Three Months Ended	
		May 31, 2014	May 31, 2013 Restated
Earned Revenues			
Gross premiums written		281,011	266,155
Premiums ceded to reinsurers		(17,767)	(17,461)
Net premiums written		263,244	248,694
(Increase) decrease in gross unearned premiums		(30,760)	(29,530)
Increase (decrease) in reinsurers' share of unearned premiums		13,300	13,005
Net premiums earned		245,784	232,169
Service fees & other revenue		6,932	6,538
<i>The Drivers and Vehicles Act operations recovery</i>		6,975	6,975
Total Earned Revenues		259,691	245,682
Claims Costs			
Direct claims incurred		194,402	218,388
Claims incurred ceded to reinsurers		(2,699)	(633)
Net claims incurred		191,703	217,755
Claims Expense		32,728	32,840
Loss prevention/Road safety		2,865	3,309
Total Claims Costs		227,296	253,904
Expenses			
Operating		29,583	29,478
Commissions		18,493	17,808
Premium taxes		7,508	7,099
Regulatory/Appeal		728	772
Total Expenses		56,312	55,157
Underwriting loss		(23,917)	(63,379)
Investment income	6	38,165	29,491
Net Income (Loss)		14,248	(33,888)

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)	Three Months Ended	
	May 31, 2014	May 31, 2013 Restated
Net income (loss) after surplus distribution	14,248	(33,888)
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on Available for Sale assets	20,052	7,890
Reclassification of net realized (gains) losses related to Available for Sale assets	(3,056)	(1,272)
Other Comprehensive Income (Loss) for the period	16,996	6,618
Total Comprehensive Income (Loss)	31,244	(27,270)

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

Condensed Interim Statement of Changes in Equity

(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, 2013	149,800	19,240	72,000	117,557	6,723	365,320	64,659	429,979
Net income (loss) for the period		(41,431)	-	7,543	-	(33,888)	-	(33,888)
Other comprehensive income (loss) for the period	-	-	-	-	-	-	6,618	6,618
Transfer between NB-RE & EDF	-	-	-	5,335	(5,335)	-	-	-
Restated Balance as at May 31, 2013	149,800	(22,191)	72,000	130,435	1,388	331,432	71,277	402,709
Balance as at March 1, 2014	99,878	-	114,000	106,594	-	320,472	76,851	397,323
Net income (loss) for the period	334	-	-	13,914	-	14,248	-	14,248
Other comprehensive income (loss) for the period	-	-	-	-	-	-	16,996	16,996
Balance as at May 31, 2014	100,212	-	114,000	120,508	-	334,720	93,847	428,567

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

Condensed Interim Statement of Cash Flows

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	Three months ended	
		May 31, 2014	May 31, 2013 Restated
Cash Flows from (to) Operating Activities:			
Net income after surplus distribution		14,248	(33,888)
Non-cash items:			
Depreciation of property and equipment		1,655	1,672
Amortization of deferred development costs		3,633	2,212
Amortization of bond discount and premium		467	921
(Gain) loss on sale of investments		(6,462)	(15,517)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		(6,944)	7,524
Unrealized (gain) loss on investment in real estate		(4,051)	(6,397)
Unrealized (gain) loss on investment in infrastructure		(3,525)	(134)
Write-down of investments		-	-
		(979)	(43,607)
Net change in non-cash balances:			
Due from other insurance companies		4,061	(260)
Accounts receivable and prepaid expenses		(14,656)	(7,518)
Deferred policy acquisition costs		384	(805)
Reinsurers' share of unearned premiums and unpaid claims		(5,273)	(13,352)
Due to other insurance companies		8,523	8,614
Accounts payable and accrued liabilities		(12,473)	4,000
Unearned premiums		5,338	5,139
Provision for employee current benefits		455	788
Provision for employee future benefits		3,728	3,760
Provision for unpaid claims		(10,376)	34,492
		(20,289)	34,858
		(21,268)	(8,749)
Cash Flows from (to) Investing Activities:			
Purchase of investments		(249,656)	(576,246)
Proceeds from sale of investments		191,918	452,485
Acquisition of property and equipment net of proceeds from disposals		(616)	(1,365)
Financing lease obligation		(15)	(14)
Deferred development costs incurred		(3,213)	(8,597)
		(61,582)	(133,737)
Increase (decrease) in Cash and Short-Term Investments			
Cash and short-term investments beginning of year		93,208	170,882
Cash and Short-Term Investments end of period	5	10,358	28,396

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

Notes to Financial Statements

1) Status of the Corporation

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

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business rates are approved by the Public Utilities Board of Manitoba.

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

2) Basis of Reporting

Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of Presentation

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

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

Seasonality

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

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments. Measurement of the financial instruments is detailed in Note 4 of the 2013 Annual Report.

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

Refer to the 2013 Annual Audited Financial Statements for a summary outlining those accounting policies followed by the Corporation that have a significant effect on the condensed interim financial statements.

4) Provision for Unpaid Claims

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

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

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

5) Cash and Investments

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

Short-term investments have a total principal amount of \$20.1 million (2013 – \$26.0 million) comprised of provincial short-term deposits with effective interest rates of 0.92% to 0.93% (2013 - 0.92% to 0.94%), 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 May 31, 2014 (2013 – nil).

Cash and Investments

(Unaudited – in thousands of Canadian dollars)

	Financial Instruments			Non-Financial Instruments	Total Carrying Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at May 31, 2014					
Cash and short-term investments	10,358	-	-	-	10,358
Bonds					
Federal	-	-	85,276	-	85,276
Manitoba:					
Provincial	-	-	274,676	-	274,676
Municipal	-	12,548	18,702	-	31,250
Hospitals	-	-	11,328	-	11,328
Schools	-	598,132	-	-	598,132
Other provinces:					
Provincial	-	-	467,403	-	467,403
Municipal	-	-	95,148	-	95,148
Corporations	-	-	49,583	-	49,583
	-	610,680	1,002,116	-	1,612,796
Other investments	3,876	-	-	-	3,876
Infrastructure	-	-	53,603	-	53,603
Cash and investments	14,234	610,680	1,055,719	-	1,680,633
Equity investments	543,633	-	-	-	543,633
Pooled Real Estate Fund	-	-	196,971	-	196,971
Investment property	-	-	-	38,088	38,088
	557,867	610,680	1,252,690	38,088	2,459,325

(Unaudited – in thousands of Canadian dollars)

	Financial Instruments			Non-Financial Instruments	Total Carrying Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at May 31, 2013					
Cash and short-term investments	28,396	-	-	-	28,396
Bonds					
Federal	-	-	109,739	-	109,739
Manitoba:					
Provincial	-	-	260,361	-	260,361
Municipal	-	15,092	29,423	-	44,515
Hospitals	-	-	11,957	-	11,957
Schools	-	552,805	-	-	552,805
Other provinces:					
Provincial	-	-	357,134	-	357,134
Municipal	-	-	62,706	-	62,706
Corporations	-	-	45,580	-	45,580
	-	567,897	876,900	-	1,444,797
Other investments	4,022	-	-	-	4,022
Infrastructure	-	-	45,720	-	45,720
Cash and investments	32,418	567,897	922,620	-	1,522,935
Equity investments	586,476	-	-	-	586,476
Pooled Real Estate Fund	-	-	179,398	-	179,398
Investment property	-	-	-	35,881	35,881
	618,894	567,897	1,102,018	35,881	2,324,690

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 May 31, 2014 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	69,450	917,246	15,420
Infrastructure	-	-	53,603
Pooled Real Estate Fund	-	196,971	-
Total FVTPL financial assets	69,450	1,114,217	69,023
AFS financial assets			
Cash and short term investments	10,358	-	-
Other investments	-	-	3,876
Equity investments	543,633	-	-
Total AFS financial assets	553,991	-	3,876
Total assets measured at fair value	623,441	1,114,217	72,899

As at May 31, 2013 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	119,699	740,916	16,285
Infrastructure	-	-	45,720
Pooled Real Estate Fund	-	179,398	-
Total FVTPL financial assets	119,699	920,314	62,005
AFS financial assets			
Cash and short term investments	28,396	-	-
Other investments	-	-	4,022
Equity investments	586,476	-	-
Total AFS financial assets	614,872	-	4,022
Total assets measured at fair value	734,571	920,314	66,027

Fair value measurement of instruments included in Level 3 (in thousands of Canadian dollars)	FVTPL		AFS	
	2014	2013	2014	2013
Balance at March 1	63,469	38,716	3,876	4,099
Total gains/(losses)				
Included in net income	3,525	134	-	--
Included in other comprehensive income	-	-	-	-
Purchases	2,029	23,155	-	-
Sales	-	-	-	(77)
Balance at May 31	69,023	62,005	3,876	4,022

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

6) Investment Income

(in thousands of Canadian dollars)	May 31, 2014	May 31, 2013
Interest income	12,809	11,830
Gain (loss) on sale of Fair Value Through Profit or Loss bonds	3,407	1,146
Unrealized gain (loss) on Fair Value Through Profit or Loss bonds	6,944	(7,524)
Unrealized gain (loss) on investment property	4,051	6,397
Gain (loss) on infrastructure investments	345	147
Unrealized gain (loss) on infrastructure investments	3,525	134
Dividend income	3,980	3,377
Gain (loss) on sale of equities	3,055	14,371
Gain (loss) on foreign exchange	(17)	-
Income from investment property	778	830
Write-down of investments	-	-
Investment management fees	(712)	(1,217)
Total	38,165	29,491

7) Employee Future Benefits Expense

The total benefits costs included in expenses are as follows:

(Unaudited – in thousands of Canadian dollars)	May 31, 2014	May 31, 2013
Pension benefits	5,963	5,721
Other post-employment benefits	7	596
Total	5,970	6,317

8) Depreciation and Amortization

The total depreciation and amortization included in expenses are as follows:

(Unaudited – in thousands of Canadian dollars)	May 31, 2014	May 31, 2013
Amortization – Deferred Development	3,633	2,212
Depreciation – Property and equipment	1,655	1,672
Total	5,288	3,884

Manitoba Public Insurance Locations

Customer Service

Winnipeg

Tel: 204-985-7000

Outside Winnipeg

Tel: 800-665-2410

Deaf Access TTY/TDD

Tel: 204-985-8832

Out-of-Province Claims

Tel: 800-661-6051

Administrative Offices

Winnipeg

234 Donald Street
Box 6300
R3C 4A4

Brandon

731-1st Street
R7A 6C3

Service Locations

Winnipeg Service Centres

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

cityplace

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

Physical Damage Centre
Holding Compound/Receiving
Salvage
Commercial Claims
1981 Plessis Road

Arborg

Service Centre
323 Sunset Boulevard

Beausejour

Service Centre
848 Park Avenue

Brandon

Service Centre
731-1st Street

Dauphin

Service Centre
217 Industrial Road

Flin Flon

Claim Centre
8 Timber Lane

Portage la Prairie

Claim Centre
2007 Saskatchewan Avenue
West

Driver and Vehicle Licensing Centre

25 Tupper Street North

Selkirk

Service Centre
1008 Manitoba Avenue

Steinbach

Claim Centre
91 North Front Drive

Service Centre

165 Park Road West
Clearspring Village Mall, Unit 2

Swan River

Claim Centre
125-4th Avenue North

The Pas

Claim Centre
424 Fischer Avenue

Thompson

Service Centre
53 Commercial Place

Winkler

Service Centre
355 Boundary Trail

For more information contact:

**Manitoba Public Insurance
Corporate Communications**

Room 820, 234 Donald Street

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Winnipeg, MB R3C 4A4



**Manitoba
Public Insurance**