

# Quarterly Financial Report

2nd QUARTER

Six months ended  
**August 31, 2014**



**Manitoba  
Public Insurance**

## Management Discussion and Analysis

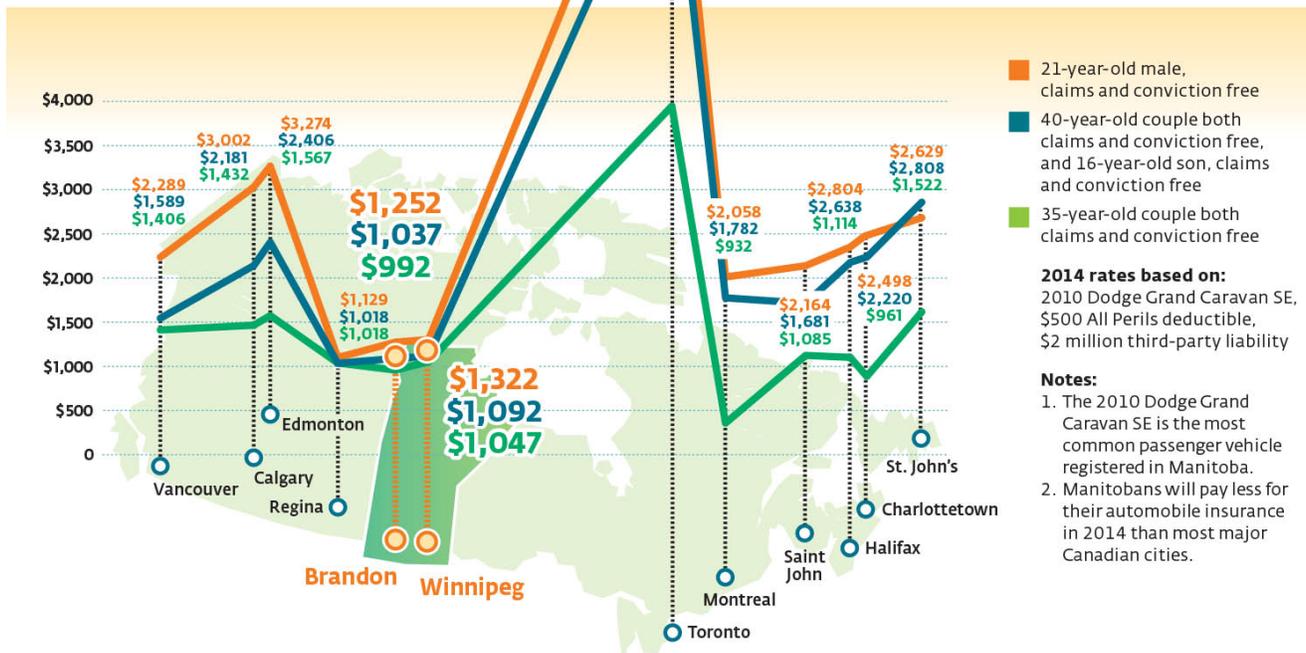
Management’s discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the second quarter ended August 31, 2014 included herein 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

95%	103%	110%	103%	104%	114%	110%	116%
Q3 · 12/13	Q4 · 12/13	Q1 · 13/14	Q2 · 13/14	Q3 · 13/14	Q4 · 13/14	Q1 · 14/15	Q2 · 14/15

### 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

3.7	3.6	3.6	3.5	3.7	3.6	3.5	3.4
Q3 · 12/13	Q4 · 12/13	Q1 · 13/14	Q2 · 13/14	Q3 · 13/14	Q4 · 13/14	Q1 · 14/15	Q2 · 14/15

**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% Q3 · 12/13	95% Q4 · 12/13	95% Q1 · 13/14	95% Q2 · 13/14	95% Q3 · 13/14	94% Q4 · 13/14	95% Q1 · 14/15	95% Q2 · 14/15
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Customer satisfaction in major operational areas

Physical Damage Claims



Past Results (in per cent)

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

Bodily Injury Claims



Past Results (in per cent)

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

Driver and Vehicle Licensing



Past Results (in per cent)

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

Insurance Operations Policyholder Transactions



Past Results (in per cent)

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

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	108.5 Q2 • 14/15
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**Extension Retained Earnings**



**Past Results**

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	188.9M Q2 • 14/15

**SRE Retained Earnings**



**Past Results**

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	60.7M Q2 • 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**



### 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 \$37.6 million for the six months ended August 31, 2014 compared to net income of \$41.9 million for the same period last year. This includes net income of \$8.6 million (2013 – net income of \$21.3 million) from the Basic insurance line of business. Net income decreased from the previous year by \$4.3 million due to:

- i) a \$13.4 million decline in underwriting income primarily attributed to a \$34.7 million increase claims costs and a \$2.4 million increase in total expenses, offset by a \$23.7 million increase in earned revenues; and
- ii) a rise in investment income of \$9.1 million mainly due to the \$65.1 million unrealized gain on Fair Value Through Profit or Loss bonds, a \$11.2 million gain on sale of Fair Value Through Profit or Loss bonds, and a \$3.5 million net gain on infrastructure, offset by a \$4.1 million decrease in real estate - pooled funds and a \$66.6 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 six months increased from the previous year by \$23.7 million. This increase is primarily attributed to an increase in driver's premiums earned of \$3.8 million or 21.6%, an increase in motor vehicle earned revenues of \$17.6 million or 4.1%, special risk extension premiums earned of \$1.2 million or 4.1% and an increase in service fees of \$1.1 million or 8.6%. The increase in premiums 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 incurred for the six months ended August 31, 2014 increased by \$35.4 million compared to last year primarily due to an increase of \$9.1 million or 3.5% in physical damage and an increase of \$26.3 million or 29.7% in bodily injury claims incurred. The increase in physical damage claims incurred is primarily due to severe winter driving conditions and greater severity of claims.

Total expenses increased by \$2.4 million compared to last year due primarily to an increase of \$1.3 million or 3.8% in commission expenses, \$0.7 million or 4.7% in premium taxes and \$0.4 million or 0.8% in operating expenses.

### ***Retained Earnings***

Retained earnings of \$358.0 million (August 31, 2013 - \$407.3 million) are comprised of \$108.5 million for Basic insurance (August 31, 2013 - \$190.3 million) and \$249.5 million for non-Basic lines (August 31, 2013 - \$216.9 million). Basic insurance retained earnings are comprised of the Rate Stabilization Reserve of \$108.5 million. The non-Basic lines retained earnings are allocated to a capital reserve of \$114.0 million and \$135.5 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>	August 31, 2014	February 28, 2014
<b>Assets</b>			
Cash and investments	5	1,715,782	1,695,988
Equity & pooled real estate funds investments	5	779,545	712,625
Investment property	5	37,862	38,312
Due from other insurance companies		104	4,080
Accounts receivable		356,880	334,137
Prepaid expenses		125	1,049
Deferred policy acquisition costs		24,266	24,742
Reinsurers' share of unearned premiums		8,903	61
Reinsurers' share of unpaid claims		9,306	24,741
Property and equipment		122,381	123,850
Deferred development costs		69,965	68,586
		<b>3,125,119</b>	<b>3,028,171</b>
<b>Liabilities</b>			
Due to other insurance companies		4,546	1,934
Accounts payable and accrued liabilities		56,909	63,026
Financing lease obligation		4,395	4,425
Unearned premiums		495,872	497,811
Provision for employee current benefits		21,345	21,800
Provision for employee future benefits		340,176	333,138
Provision for unpaid claims	4	1,724,684	1,708,714
		<b>2,647,927</b>	<b>2,630,848</b>
<b>Equity</b>			
Retained Earnings			
Basic Insurance Retained Earnings			
Rate Stabilization Reserve		108,509	99,878
Retained Earnings		-	-
		<b>108,509</b>	<b>99,878</b>
Non-Basic Retained Earnings			
Capital Reserve		114,000	114,000
Retained Earnings		135,532	106,594
		<b>249,532</b>	<b>220,594</b>
		<b>358,041</b>	<b>320,472</b>
Accumulated Other Comprehensive Income		119,151	76,851
<b>Total Equity</b>		<b>477,192</b>	<b>397,323</b>
		<b>3,125,119</b>	<b>3,028,171</b>

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

## Condensed Interim Statement of Operations

(Unaudited - in thousands of Canadian dollars)	Notes	Three months ended		Six months ended	
		August 31, 2014	August 31, 2013 Restated	August 31, 2014	August 31, 2013 Restated
<b>Earned Revenues</b>					
Gross premiums written		252,593	242,967	533,605	509,122
Premiums ceded to reinsurers		(10)	(10)	(17,778)	(17,471)
Net premiums written		252,583	242,957	515,827	491,651
(Increase) decrease in gross earned premiums		8,050	8,615	(22,710)	(20,915)
Increase (decrease) in reinsurers' share of unearned premiums		(4,457)	(4,368)	8,843	8,637
Net premiums earned		256,176	247,204	501,960	479,373
Service fees & other revenue		7,362	6,623	14,294	13,161
<i>The Drivers and Vehicles Act operations recovery</i>		6,975	6,975	13,950	13,950
<b>Total Earned Revenues</b>		<b>270,513</b>	260,802	<b>530,204</b>	506,484
<b>Claims Costs</b>					
Direct claims incurred		198,344	140,765	392,746	359,153
Claims incurred ceded to reinsurers		3,334	(575)	635	(1,208)
Net claims Incurred		201,678	140,190	393,382	357,945
Claims Expense		32,538	32,100	65,266	64,940
Loss prevention/Road safety		3,526	4,151	6,390	7,460
<b>Total Claims Costs</b>		<b>237,742</b>	176,441	<b>465,038</b>	430,345
<b>Expenses</b>					
Operating		27,687	27,345	57,270	56,823
Commissions		18,670	18,006	37,163	35,814
Premium taxes		7,819	7,547	15,327	14,646
Regulatory/Appeal		997	917	1,725	1,689
<b>Total Expenses</b>		<b>55,173</b>	53,815	<b>111,485</b>	108,972
<b>Underwriting income (loss)</b>		<b>(22,402)</b>	30,546	<b>(46,319)</b>	(32,833)
<b>Investment income</b>	6	45,723	45,281	83,888	74,772
<b>Net income</b>		<b>23,321</b>	75,827	<b>37,569</b>	41,939

## Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)	Three months ended		Six months ended	
	August 31, 2014	August 31, 2013 Restated	August 31, 2014	August 31, 2013 Restated
<b>Net income after surplus distribution</b>	<b>23,321</b>	75,827	<b>37,569</b>	41,939
<b>Other Comprehensive Income (Loss)</b>				
Unrealized gains on Available for Sale assets	33,304	43,197	53,356	51,087
Reclassification of net realized (gains) losses related to Available for Sale assets	(8,000)	(90,974)	(11,056)	(92,246)
Other Comprehensive Income for the period	25,304	(47,777)	42,300	(41,159)
<b>Total Comprehensive Income</b>	<b>48,625</b>	28,050	<b>79,869</b>	780

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		21,275	-	20,664	-	41,939	-	41,939
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(41,159)	(41,159)
Transfer between NB-RE & EDF	-	-	-	2,799	(2,799)	-	-	-
Restated Balance as at August 31, 2013	149,800	40,515	72,000	141,020	3,924	407,259	23,500	430,759
Balance as at March 1, 2014	99,878	-	114,000	106,594	-	320,472	76,851	397,323
Net income (loss) for the period	8,632	-	-	28,937	-	37,569	-	37,569
Other comprehensive income (loss) for the period	-	-	-	-	-	-	42,300	42,300
<b>Balance as at August 31, 2014</b>	<b>108,510</b>	<b>-</b>	<b>114,000</b>	<b>135,531</b>	<b>-</b>	<b>358,041</b>	<b>119,151</b>	<b>477,192</b>

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>	Six months ended	
		August 31, 2014	August 31, 2013 Restated
<b>Cash Flows from (to) Operating Activities:</b>			
Net income after surplus distribution		37,569	41,939
Non-cash items:			
Depreciation of property and equipment		3,688	3,298
Amortization of deferred development costs		7,266	4,423
Amortization of bond discount and premium		872	1,613
(Gain) loss on sale of investments		(19,976)	(75,338)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		(21,710)	43,406
Unrealized (gain) loss on investment in real estate		(5,908)	(10,055)
Unrealized (gain) loss on investment in infrastructure		(3,430)	134
Write-down of investments		-	-
		(1,629)	9,420
Net change in non-cash balances:			
Due from other insurance companies		3,976	(433)
Accounts receivable and prepaid expenses		(21,819)	(11,984)
Deferred policy acquisition costs		476	(694)
Reinsurers' share of unearned premiums and unpaid claims		6,593	(9,385)
Due to other insurance companies		2,611	4,353
Accounts payable and accrued liabilities		(6,116)	(8,561)
Unearned premiums		(1,939)	6,980
Provision for employee current benefits		(455)	(243)
Provision for employee future benefits		7,038	(4,350)
Provision for unpaid claims		15,970	6,668
		6,335	(17,649)
		4,706	(8,229)
<b>Cash Flows from (to) Investing Activities:</b>			
Purchase of investments		(464,311)	(1,166,321)
Proceeds from sale of investments		456,201	1,082,037
Acquisition of property and equipment net of proceeds from disposals		(2,219)	(3,400)
Financing lease obligation		(30)	(28)
Deferred development costs incurred		(8,645)	(11,882)
		(19,004)	(99,594)
<b>Increase (decrease) in Cash and Short-Term Investments</b>		(14,298)	(107,823)
Cash and short-term investments beginning of year		93,208	170,882
<b>Cash and Short-Term Investments end of period</b>	5	78,910	63,059

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 \$80.3 million (2013 – \$70.8 million) comprised of provincial short-term deposits with effective interest rates of 0.93% to 0.94% (2013 - 0.94% to 0.95%), 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 August 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		
<b>As at August 31, 2014</b>					
Cash and short-term investments	78,910	-	-	-	78,910
Bonds					
Federal	-	-	95,688	-	95,688
Manitoba:					
Provincial	-	-	263,790	-	263,790
Municipal	-	12,261	17,386	-	29,647
Hospitals	-	-	11,211	-	11,211
Schools	-	613,086	-	-	613,086
Other provinces:					
Provincial	-	-	412,116	-	412,116
Municipal	-	-	102,112	-	102,112
Corporations	-	-	51,773	-	51,773
	-	625,347	954,076	-	1,579,423
Other investments	3,834	-	-	-	3,834
Infrastructure	-	-	53,615	-	53,615
Cash and investments	82,745	625,347	1,007,691	-	1,715,782
Equity investments	580,718	-	-	-	580,718
Pooled Real Estate Fund	-	-	198,827	-	198,827
Investment property	-	-	-	37,862	37,862
	<b>663,462</b>	<b>625,347</b>	<b>1,206,518</b>	<b>37,862</b>	<b>2,533,189</b>

(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		
<b>As at August 31, 2013</b>					
Cash and short-term investments	63,059	-	-	-	63,059
Bonds					
Federal	-	-	136,684		136,684
Manitoba:					
Provincial	-	-	234,153		234,153
Municipal	-	14,822	30,141		44,963
Hospitals	-	-	11,750		11,750
Schools	-	558,944	-		558,944
Other provinces:					
Provincial	-	-	333,037		333,037
Municipal	-	-	62,898		62,898
Corporations	-	-	42,943		42,943
	-	573,766	851,606	-	1,425,372
Other investments	4,022	-	-		4,022
Infrastructure	-	-	45,720		45,720
Cash and investments	67,081	573,766	897,326	-	1,538,173
Equity investments	541,831	-	-		541,831
Pooled Real Estate Fund	-	-	183,057		183,057
Investment property	-	-	-	35,676	35,676
	608,912	573,766	1,080,383	35,676	2,298,737

### 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 August 31, 2014**

(in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	51,967	886,688	15,421
Infrastructure	-	-	53,615
Pooled Real Estate Fund	-	198,827	-
<b>Total FVTPL financial assets</b>	<b>51,967</b>	<b>1,085,515</b>	<b>69,036</b>
AFS financial assets			
Cash and short term investments	78,910	-	-
Other investments	-	-	3,834
Equity investments	580,718	-	-
<b>Total AFS financial assets</b>	<b>659,628</b>	<b>-</b>	<b>3,834</b>
<b>Total assets measured at fair value</b>	<b>711,595</b>	<b>1,085,515</b>	<b>72,870</b>

**As at August 31, 2013**

(in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	146,587	688,734	16,285
Infrastructure	-	-	45,720
Pooled Real Estate Fund	-	183,057	-
<b>Total FVTPL financial assets</b>	<b>146,587</b>	<b>871,791</b>	<b>62,005</b>
AFS financial assets			
Cash and short term investments	63,059	-	-
Other investments	-	-	4,022
Equity investments	541,831	-	-
<b>Total AFS financial assets</b>	<b>604,890</b>	<b>-</b>	<b>4,022</b>
<b>Total assets measured at fair value</b>	<b>751,477</b>	<b>871,791</b>	<b>66,027</b>

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	3,431	134	14	--
Included in other comprehensive income	-	-	-	-
Purchases	2,136	23,155	-	-
Sales	-	-	(56)	(77)
<b>Balance at August 31</b>	<b>69,036</b>	<b>62,005</b>	<b>3,834</b>	<b>4,022</b>

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)	August 31, 2014	August 31, 2013
Interest income	25,458	24,039
Gain (loss) on sale of Fair Value Through Profit or Loss bonds	8,920	(2,316)
Unrealized gain (loss) on Fair Value Through Profit or Loss bonds	21,710	(43,406)
Unrealized gain (loss) on investment property	5,908	10,055
Gain (loss) on infrastructure investments	542	373
Unrealized gain (loss) on infrastructure investments	3,430	134
Dividend income	7,856	6,575
Gain (loss) on sale of equities	11,056	77,660
Gain (loss) on foreign exchange	3	2,424
Income from investment property	1,402	1,345
Write-down of investments	-	-
Investment management fees	(2,397)	(2,111)
<b>Total</b>	<b>83,888</b>	<b>74,772</b>

**7) Employee Future Benefits Expense**

The total benefits costs included in expenses are as follows:

(Unaudited – in thousands of Canadian dollars)	August 31, 2014	August 31, 2013
Pension benefits	11,748	11,250
Other post-employment benefits	186	596
<b>Total</b>	<b>11,934</b>	<b>11,846</b>

**8) Depreciation and Amortization**

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

(Unaudited – in thousands of Canadian dollars)	August 31, 2014	August 31, 2013
Amortization – Deferred Development	7,266	4,423
Depreciation – Property and equipment	3,688	3,298
<b>Total</b>	<b>10,954</b>	<b>7,721</b>

## 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

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#### 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

Service Centre  
91 North Front Drive

#### 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  
Communications & Community Relations**

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P.O. Box 6300

Winnipeg, MB R3C 4A4



**Manitoba  
Public Insurance**