

Quarterly Financial Report

3rd QUARTER

Nine months ended
November 30, 2014



**Manitoba
Public Insurance**

Management Discussion and Analysis

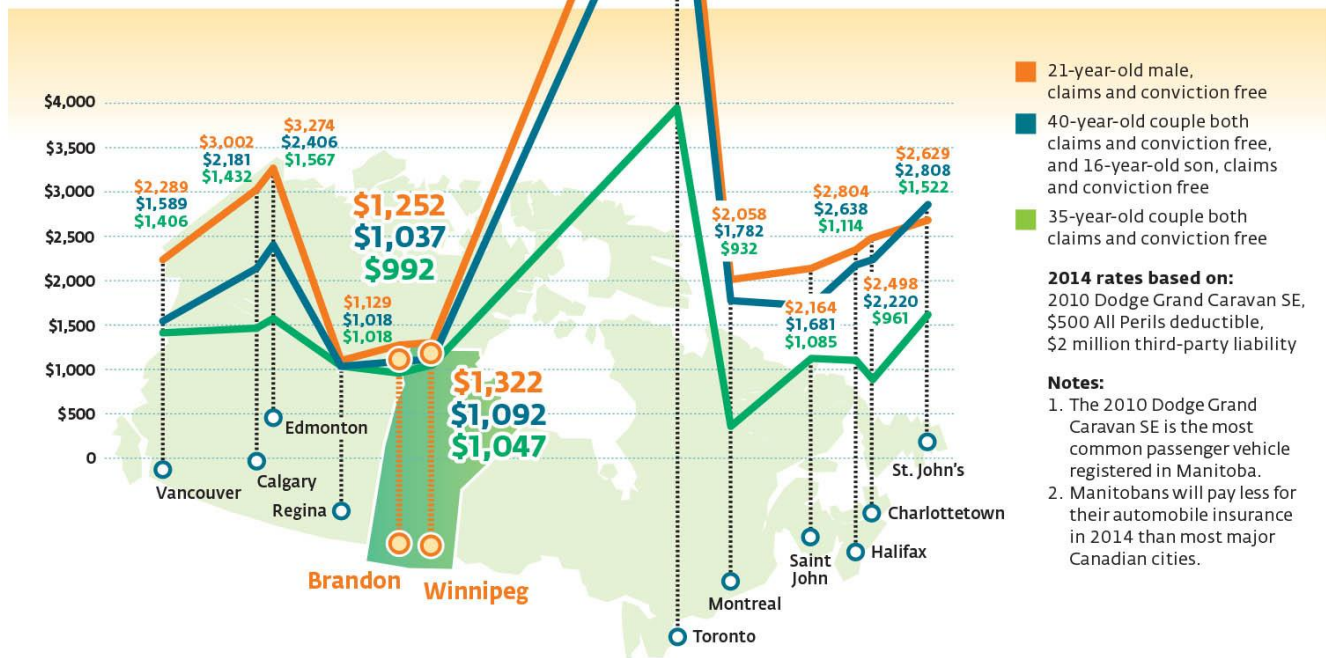
Management’s discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the third quarter ended November 30, 2014 included herein, the 2013 annual audited financial statements and supporting notes found at www.mpi.mb.ca and 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



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

103% Q4 · 12/13	110% Q1 · 13/14	103% Q2 · 13/14	104% Q3 · 13/14	114% Q4 · 13/14	110% Q1 · 14/15	116% Q2 · 14/15	114% Q3 · 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 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	3.4 Q2 · 14/15	3.5 Q3 · 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)

95%	95%	95%	95%	94%	95%	95%	96%
Q4 · 12/13	Q1 · 13/14	Q2 · 13/14	Q3 · 13/14	Q4 · 13/14	Q1 · 14/15	Q2 · 14/15	Q3 · 14/15

Customer satisfaction in major operational areas

Physical Damage Claims



Past Results (in per cent)

90%	84%	86%	86%
Q4 · 12/13	Q1 · 13/14	Q2 · 13/14	Q3 · 13/14
87%	85%	84%	83%
Q4 · 13/14	Q1 · 14/15	Q2 · 14/15	Q3 · 14/15

Bodily Injury Claims



Past Results (in per cent)

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

Driver and Vehicle Licensing



Past Results (in per cent)

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

Insurance Operations Policyholder Transactions



Past Results (in per cent)

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

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	117.3 Q3 · 14/15
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Extension Retained Earnings



Past Results

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	197.7 Q3 · 14/15

SRE Retained Earnings



Past Results

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	60.6M Q3 · 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.



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.



Results of Operations

Manitoba Public Insurance reported net income of \$55.1 million for the nine months ended November 30, 2014 compared to net income of \$64.5 million for the same period last year. This includes net income of \$17.4 million (2013 – net profit of \$35.2 million) from the Basic insurance line of business. Net income decreased from the previous year by \$9.4 million due to:

- i) a decline in investment income of \$13.2 million mainly due to a \$96.4 million decrease in gains on the sale of equities, a \$6.2 million decrease in real estate - pooled funds, a \$2.4 million decrease in gains on foreign exchange and \$0.4 million increase in investment management fees, offset by a \$64.8 million unrealized gain on Fair Value Through Profit or Loss bonds, a \$20.5 million gain on sale of Fair Value Through Profit or Loss bonds, a \$2.2 million increase in interest income, a \$ 1.4 million increase in dividend income and a \$3.2 million net gain on infrastructure; and
- ii) a \$3.8 million rise in underwriting income primarily attributed to a \$37.7 million increase in earned revenues, offset by a \$30.0 million increase in claims costs and a \$3.9 million increase in total expenses.

At the end of the fiscal year 2012/13, 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.

Current Year and Last Year

Total earned revenues for the nine months increased from the previous year by \$37.7 million. This increase is primarily attributed to an increase in driver's premiums earned of \$5.0 million or 18.3%, an increase in motor vehicle earned revenues of \$28.4 million or 4.4%, an increase in Special Risk Extension premiums earned of \$1.9 million or 4.5% and an increase in service fees of \$2.4 million or 12.0%. The increase in premiums earned revenues is primarily due to the continued 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 nine months ended November 30, 2014 increased by \$30.1 million compared to last year primarily due to an increase of \$36.0 million or 20.3% in bodily injury, offset by a decrease of \$5.9 million or 1.5% in physical damage claims incurred.

Total expenses increased by \$3.9 million compared to last year due primarily to an increase of \$1.8 million or 3.4% in commission expenses, \$1.1 million or 4.9% in premium taxes and \$1.2 million or 1.4% in operating expenses, offset by a decrease of \$0.2 million or 5.6% in Regulatory / Appeal expenses.

Retained Earnings

Retained earnings of \$375.6 million (November 30, 2013 - \$429.8 million) are comprised of \$117.3 million for Basic insurance (November 30, 2013 - \$204.2 million) and \$258.3 million for non-Basic lines (November 30, 2013 - \$225.6 million). Basic insurance retained earnings are comprised of the Rate Stabilization Reserve of \$117.3 million. The non-Basic lines retained earnings are allocated to a capital reserve of \$114.0 million and \$144.3 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. Typically the last quarter of the fiscal year, December to February, losses as a result of high claims activity will erode the positive results in the first 3 quarters.

On December 5, 2014, PUB released its ruling (Order 135/14) on the Corporation's rate application for 2015/16 fiscal year. Effective March 1, 2015, overall average Basic insurance rates will increase by 3.4 per cent from the previous year. This is only the second rate increase in a decade, a period during which there have been five rate decreases.

The Corporation originally requested a 1.0 per cent Rate Stabilization Reserve (RSR) rebuilding fee. During the PUB hearings in November, on certain conditions being met, the Corporation agreed to transfer a portion of excess retained earnings from its optional Extension line of business to the Basic program to rebuild inadequate capital levels. The Corporation will determine the amount of the transfer after assessing the adequacy of Basic capital levels as of February 28, 2015.

This recent order reflects the positive dialogue between the Corporation and the PUB to achieve rate stability and predictability.

Overall:

- More than half of the policy holders will see a rate increase of \$20 or less, or a premium decrease
- The average vehicle premium will be \$949
- Motorcycle rates will decrease 6.2 per cent or \$60 per vehicle, the average motorcycle rate will decrease to \$902

Manitoba Public Insurance is committed to keeping rates stable over the long term. In the past the RSR and corporate efficiencies have helped to avoid passing the full 13.5 per cent increase in claims costs on to vehicle owners. Rebuilding the RSR and ongoing efficiencies will continue to keep rates stable in the future.

Condensed Interim Financial Statements

Condensed Interim Statement of Financial Position

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	November 30, 2014	February 28, 2014
Assets			
Cash and investments	5	1,710,570	1,695,988
Equity & pooled real estate funds investments	5	765,139	712,625
Investment property	5	37,638	38,312
Due from other insurance companies		34	4,080
Accounts receivable		381,991	334,137
Prepaid expenses		148	1,049
Deferred policy acquisition costs		24,811	24,742
Reinsurers' share of unearned premiums		4,550	61
Reinsurers' share of unpaid claims		9,743	24,741
Property and equipment		122,615	123,850
Deferred development costs		69,146	68,586
		3,126,385	3,028,171
Liabilities			
Due to other insurance companies		201	1,934
Accounts payable and accrued liabilities		54,932	63,026
Financing lease obligation		4,380	4,425
Unearned premiums		500,528	497,811
Provision for employee current benefits		21,716	21,800
Provision for employee future benefits		344,347	333,138
Provision for unpaid claims	4	1,731,234	1,708,714
		2,657,338	2,630,848
Equity			
Retained Earnings			
Basic Insurance Retained Earnings			
Rate Stabilization Reserve		117,299	99,878
Retained Earnings		-	-
		117,299	99,878
Non-Basic Retained Earnings			
Capital Reserve		114,000	114,000
Retained Earnings		144,283	106,594
		258,283	220,594
		375,582	320,472
Accumulated Other Comprehensive Income		93,465	76,851
Total Equity		469,047	397,323
		3,126,385	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		Nine months ended	
		November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
Earned Revenues					
Gross premiums written		259,109	246,267	792,713	755,389
Premiums ceded to reinsurers		(120)	(87)	(17,897)	(17,558)
Net premiums written		258,989	246,180	774,816	737,831
(Increase) decrease in gross earned premiums		(3,043)	(3,008)	(25,753)	(23,923)
Increase (decrease) in reinsurers' share of unearned premiums		(4,354)	(4,282)	4,489	4,355
Net premiums earned		251,592	238,890	753,552	718,263
Service fees & other revenue		7,792	6,560	22,086	19,721
<i>The Drivers and Vehicles Act</i> operations recovery		6,975	6,975	20,925	20,925
Total Earned Revenues		266,359	252,425	796,563	758,909
Claims Costs					
Direct claims incurred		193,284	199,114	586,030	558,267
Claims incurred ceded to reinsurers		(602)	(1,109)	33	(2,317)
Net claims Incurred		192,682	198,005	586,063	555,950
Claims Expense		31,820	31,236	97,086	96,176
Loss prevention/Road safety		3,452	3,532	9,843	10,992
Total Claims Costs		227,954	232,773	692,992	663,118
Expenses					
Operating		29,363	28,599	86,633	85,422
Commissions		18,408	17,912	55,571	53,726
Premium taxes		7,682	7,298	23,009	21,944
Regulatory/Appeal		981	1,178	2,706	2,867
Total Expenses		56,434	54,987	167,919	163,959
Underwriting income (loss)		(18,030)	(35,335)	(64,349)	(68,168)
Investment income	6	35,570	57,895	119,458	132,667
Net income		17,541	22,560	55,110	64,499

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)	Three months ended		Nine months ended	
	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
Net income (loss) after surplus distribution	17,541	22,560	55,110	64,499
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on Available for Sale assets	93,995	67,962	114,047	75,852
Reclassification of net realized (gains) losses related to Available for Sale assets	(94,377)	(110,631)	(97,433)	(111,903)
Other Comprehensive Income (Loss) for the period	(382)	(42,669)	16,614	(36,051)
Total Comprehensive Income (Loss)	17,159	(20,109)	71,724	28,448

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		35,170	-	29,329	-	64,499	-	64,499
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(36,051)	(36,051)
Transfer between NB-RE & EDF	-	-	-	3,148	(3,148)	-	-	-
Restated Balance as at November 30, 2013	149,800	54,410	72,000	150,034	3,575	429,819	28,608	458,427
Balance as at March 1, 2014	99,878	-	114,000	106,594	-	320,472	76,851	397,323
Net income (loss) for the period	17,421	-	-	37,689	-	55,110	-	55,110
Other comprehensive income (loss) for the period	-	-	-	-	-	-	16,614	16,614
Balance as at November 30, 2014	117,299	-	114,000	144,283	-	375,582	93,465	469,047

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>	Nine months ended	
		November 30, 2014	November 30, 2013
Cash Flows from (to) Operating Activities:			
Net income after surplus distribution		55,110	64,499
Non-cash items:			
Depreciation of property and equipment		4,989	4,899
Amortization of deferred development costs		10,854	6,635
Amortization of bond discount and premium		1,324	2,115
(Gain) loss on sale of investments		(26,441)	(102,267)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		(31,749)	33,045
Unrealized (gain) loss on investment in real estate		(8,835)	(15,036)
Unrealized (gain) loss on investment in infrastructure		(3,375)	(143)
Write-down of investments		-	-
		1,877	(6,253)
Net change in non-cash balances:			
Due from other insurance companies		4,046	(635)
Accounts receivable and prepaid expenses		(46,953)	(10,373)
Deferred policy acquisition costs		(70)	(1,686)
Reinsurers' share of unearned premiums and unpaid claims		10,509	(6,011)
Due to other insurance companies		(1,733)	177
Accounts payable and accrued liabilities		(8,093)	(9,607)
Unearned premiums		2,717	1,422
Provision for employee current benefits		(83)	26
Provision for employee future benefits		11,209	12,282
Provision for unpaid claims		22,520	36,647
		(5,931)	22,242
		(4,054)	15,989
Cash Flows from (to) Investing Activities:			
Purchase of investments		(579,231)	(1,423,391)
Proceeds from sale of investments		560,619	1,424,826
Acquisition of property and equipment net of proceeds from disposals		(3,754)	(5,650)
Financing lease obligation		(46)	(43)
Deferred development costs incurred		(11,414)	(25,338)
		(33,826)	(29,596)
Increase (decrease) in Cash and Short-Term Investments		(37,880)	(13,607)
Cash and short-term investments beginning of year		93,208	170,882
Cash and Short-Term Investments end of period	5	55,328	157,275

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 and supporting notes found at www.mpi.mb.ca and the Corporation's 2013 Annual Report 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 \$65.8 million (2013 – \$173.4 million) comprised of provincial short-term deposits with effective interest rates of 0.92% to 0.94% (2013 - 0.88% to 0.90%), 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 November 30, 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 November 30, 2014					
Cash and short-term investments	55,328	-	-	-	55,328
Bonds					
Federal	-	-	100,157	-	100,157
Manitoba:					
Provincial	-	-	255,835	-	255,835
Municipal	-	11,485	24,610	-	36,095
Hospitals	-	-	11,044	-	11,044
Schools	-	601,699	-	-	601,699
Other provinces:					
Provincial	-	-	431,245	-	431,245
Municipal	-	-	103,739	-	103,739
Corporations	-	-	57,850	-	57,850
	-	613,184	984,480	-	1,597,664
Other investments	3,835	-	-	-	3,835
Infrastructure	-	-	53,743	-	53,743
Cash and investments	59,163	613,184	1,038,223	-	1,710,570
Equity investments	563,384	-	-	-	563,384
Pooled Real Estate Fund	-	-	201,755	-	201,755
Investment property	-	-	-	37,638	37,638
	622,547	613,184	1,239,978	37,638	2,513,347

(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 November 30, 2013					
Cash and short-term investments	157,275	-	-	-	157,275
Bonds					
Federal	-	-	45,849		45,849
Manitoba:					
Provincial	-	-	256,465		256,465
Municipal	-	-	29,602		29,602
Hospitals	-	14,087	11,672		25,759
Schools	-	574,362	-		574,362
Other provinces:					
Provincial	-	-	373,342		373,342
Municipal	-	-	81,852		81,852
Corporations	-	-	52,880		52,880
	-	588,449	851,662	-	1,440,111
Other investments	4,022	-	-		4,022
Infrastructure	-	-	46,000		46,600
Cash and investments	161,297	588,449	898,262	-	1,648,008
Equity investments	482,870	-	-		482,870
Pooled Real Estate Fund	-	-	188,037		188,037
Investment property	-	-	-	35,472	35,472
	644,167	588,449	1,086,299	35,472	2,354,387

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 November 30, 2014

(in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	51,870	917,190	15,420
Infrastructure	-	-	53,743
Pooled Real Estate Fund	-	201,755	-
Total FVTPL financial assets	51,870	1,118,945	69,163
AFS financial assets			
Cash and short term investments	55,328	-	-
Other investments	-	-	3,835
Equity investments	563,384	-	-
Total AFS financial assets	618,712	-	3,835
Total assets measured at fair value	670,582	1,118,945	72,998

As at November 30, 2013

(in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	17,739	817,638	16,285
Infrastructure	-	-	46,600
Pooled Real Estate Fund	-	188,037	-
Total FVTPL financial assets	17,739	1,005,675	62,885
AFS financial assets			
Cash and short term investments	157,275	-	-
Other investments	-	-	4,022
Equity investments	482,870	-	-
Total AFS financial assets	640,145	-	4,022
Total assets measured at fair value	657,884	1,005,675	66,907

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	3,375	134	7	--
Included in other comprehensive income	-	-	14	-
Purchases	2,319	24,035	-	-
Sales	-	-	(62)	(77)
Balance at November 30	69,163	62,885	3,835	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)	November 30, 2014	November 30, 2013
Interest income	38,035	35,845
Gain (loss) on sale of Fair Value Through Profit or Loss bonds	10,894	(9,635)
Unrealized gain (loss) on Fair Value Through Profit or Loss bonds	31,749	(33,045)
Unrealized gain (loss) on investment property	8,835	15,035
Gain (loss) on infrastructure investments	773	786
Unrealized gain (loss) on infrastructure investments	3,375	143
Dividend income	11,741	10,299
Gain (loss) on sale of equities	15,547	111,908
Gain (loss) on foreign exchange	26	2,439
Income from investment property	1,903	1,894
Write-down of investments	-	-
Investment management fees	(3,420)	(3,002)
Total	119,458	132,667

7) Employee Future Benefits Expense

The total benefits costs included in expenses are as follows:

(Unaudited – in thousands of Canadian dollars)	November 30, 2014	November 30, 2013
Pension benefits	18,182	17,390
Other post-employment benefits	261	1,699
Total	18,443	19,089

8) Depreciation and Amortization

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

(Unaudited – in thousands of Canadian dollars)	November 30, 2014	November 30, 2013
Amortization – Deferred Development	10,854	6,635
Depreciation – Property and equipment	4,989	4,899
Total	15,843	11,534

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

Service Centre
2007 Saskatchewan Avenue
West

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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**Manitoba
Public Insurance**