Manitoba Public Insurance

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR

ENDED FEBRUARY 28, 2015

Responsibility for Financial Statements

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

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

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

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

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

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

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

Dan Guimond
President and Chief Executive Officer

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

May 15, 2015

May 15, 2015

Independent Auditor's Report

To the Directors of
Manitoba Public Insurance Corporation

We have audited the accompanying financial statements of Manitoba Public Insurance Corporation (the Corporation) which comprise the statement of financial position as at February 28, 2015 and the statements of operations, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at February 28, 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statements of financial position at February 28, 2015 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

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

Joe S. Cheng
Fellow, Canadian Institute of Actuaries

Toronto, Ontario

May 15, 2015

Financial Statements

Statement of Financial Position

As At February 28 (in thousands of Canadian dollars)	*Notes*	**2015**	2014
Assets			
Cash and cash equivalents	*4*	**68,882**	93,208
Investments	*4*	**2,491,176**	2,315,405
Investment property	*4&5*	**42,417**	38,312
Due from other insurance companies	*6*	**443**	4,080
Accounts receivable	*28*	**387,909**	334,137
Prepaid expenses		**537**	1,049
Deferred policy acquisition costs	*7*	**24,014**	24,742
Reinsurers' share of unearned premiums	*14&17*	**79**	61
Reinsurers' share of unpaid claims	*17&18*	**8,118**	24,741
Property and equipment	*8*	**122,385**	123,850
Deferred development costs	*9*	**69,089**	68,586
		3,215,049	3,028,171
Liabilities			
Due to other insurance companies	*10*	**1**	1,934
Accounts payable and accrued liabilities	*11*	**62,287**	63,026
Financing lease obligation	*12*	**4,364**	4,425
Unearned premiums and fees	*14*	**527,121**	497,811
Provision for employee current benefits	*15*	**22,164**	21,800
Provision for employee future benefits	*16*	**391,119**	333,138
Provision for unpaid claims	*17&18*	**1,786,566**	1,708,714
		2,793,622	2,630,848
Equity			
Retained Earnings	*20*	**378,050**	320,472
Accumulated Other Comprehensive Income	*21*	**43,377**	76,851
Total Equity		**421,427**	397,323
		3,215,049	3,028,171

Contingent Liabilities (note 32)

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

Approved by the Board of Directors:

Jake Janzen
Chairperson

Jeanne Millis, CA
Chair Audit Committee

Statement of Operations

For the years ended February 28 (in thousands of Canadian dollars)	Notes	**2015**	2014
Earned Revenues			
Gross premiums written		**1,044,356**	995,556
Premiums ceded to reinsurers		**(17,801)**	(17,564)
Net premiums written		**1,026,555**	977,992
(Increase) decrease in gross unearned premiums		**(24,803)**	(21,634)
Increase (decrease) in reinsurers' share of unearned Premiums		**18**	(8)
Net premiums earned		**1,001,770**	956,350
Service fees & other revenue	22	**28,097**	28,701
The Drivers and Vehicles Act operations recovery	23	**27,900**	27,900
Total Earned Revenues		**1,057,767**	1,012,951
Claims Costs			
Direct claims incurred - gross		**843,632**	866,018
Claims incurred ceded to reinsurers		**1,243**	(4,880)
Net claims incurred		**844,875**	861,138
Claims expense		**134,247**	132,564
Loss prevention/Road safety		**13,775**	15,558
Total Claims Costs		**992,897**	1,009,260
Expenses			
Operating		**121,791**	115,840
Commissions		**77,109**	74,813
Premium taxes		**30,587**	29,218
Regulatory/Appeal		**3,955**	3,791
Total Expenses		**233,442**	223,662
Underwriting loss		**(168,572)**	(219,971)
Investment income	4	**226,150**	175,123
Net income (loss) from operations	24	**57,578**	(44,848)

Statement of Comprehensive Income (Loss)

For the years ended February 28 (in thousands of Canadian dollars)	Notes	**2015**	2014
Net income (loss) from operations	24	**57,578**	(44,848)
Other Comprehensive Income (Loss)	21		
Items that will not be reclassified to income			
Employee Future Benefits Gain (Loss)		**(40,099)**	16,216
Items that will be reclassified to income			
Unrealized gains on Available for Sale assets		**34,689**	108,970
Reclassification of net realized gains related to Available for Sale assets		**(28,064)**	(112,994)
Net unrealized gains (losses) on Available for Sale assets		**6,625**	(4,024)
Other Comprehensive Income (Loss) for the period		**(33,474)**	12,192
Total Comprehensive Income (Loss)		**24,104**	(32,656)

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2013	365,320	64,659	429,979
Net income (loss) from operations for the year	(44,848)	-	(44,848)
Other comprehensive income (loss) for the year	-	12,192	12,192
Balance as at February 28, 2014	320,472	76,851	397,323
Net income (loss) from operations for the year	57,578	-	57,578
Other comprehensive income (loss) for the year	-	(33,474)	(33,474)
Balance as at February 28, 2015	**378,050**	**43,377**	**421,427**

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

Statement of Cash Flows

For the years ended February 28 (in thousands of Canadian dollars)	Notes	**2015**	2014
Cash Flows from (to) Operating Activities:			
Net income(loss) from operations		**57,578**	(44,848)
Non-cash items:			
Depreciation of property and equipment		**6,534**	6,551
Amortization of deferred development costs		**16,575**	8,847
Amortization of bond discount and premium		**1,807**	2,607
Gain on sale of investments		**(55,984)**	(108,901)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**(75,691)**	15,792
Unrealized gain on investment in real estate		**(11,927)**	(19,918)
Unrealized gain on investment in infrastructure		**(5,562)**	(1,591)
Impairment of available for sale investments		**830**	1,194
		(65,840)	(140,267)
Net change in non-cash balances:			
Due from other insurance companies		**3,637**	(3,078)
Accounts receivable and prepaid expenses		**(53,260)**	(12,859)
Deferred policy acquisition costs		**728**	1,570
Reinsurers' share of unearned premiums and unpaid claims		**16,605**	8,999
Due to other insurance companies		**(1,933)**	146
Accounts payable and accrued liabilities		**(739)**	4,801
Unearned premiums and fees		**29,310**	22,834
Provision for employee current benefits		**364**	299
Provision for employee future benefits		**17,882**	17,199
Provision for unpaid claims		**77,852**	150,690
		90,446	190,601
		24,606	50,334
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(1,023,478)**	(1,732,472)
Proceeds from sale of investments		**996,755**	1,637,860
Acquisition of property and equipment net of proceeds from disposals		**(5,069)**	(3,520)
Financing lease obligation		**(61)**	(57)
Deferred development costs incurred		**(17,079)**	(29,819)
		(48,932)	(128,008)
Increase (decrease) in Cash and Cash Equivalents		**(24,326)**	(77,674)
Cash and cash equivalents beginning of year		**93,208**	170,882
Cash and Cash Equivalents end of year	*4*	**68,882**	93,208

Supplemental cash flow information:		
Interest received	**49,120**	48,315
Dividends received	**29,581**	15,240

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

Notes to Financial Statements

February 28, 2015

1. Status of Corporation

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under *The Automobile Insurance Act* in 1970. The Corporation is owned by the Province of Manitoba and is consolidated annually. 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* (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

2. Basis of Reporting

Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements were authorized for issue by the Board of Directors on May 15, 2015.

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

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

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

Basis of Presentation

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

The following balances are generally classified as current: cash and cash equivalents, investments, due to/from other insurance companies, accounts receivable, prepaid expenses, deferred policy acquisition costs, reinsurers' share of unearned premiums and unpaid claims, accounts payable and accrued liabilities, unearned premiums and provision for employee current benefits.

The following balances are generally classified as non-current investment property, property and equipment, deferred development costs, financing lease obligation, provision for employee future benefits and provision for unpaid claims.

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

Seasonality

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

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 3. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value) as explained in Note 3.

Estimates and Judgments

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

3. Summary of Significant Accounting Policies

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

Changes in Accounting Policies

IAS 32 - Financial Instruments: Presentation

IAS 32 was amended in 2011 to provide clarification on the application of rules to offset financial assets and financial liabilities. The Corporation has adopted this amendment on March 1, 2014 and has determined that there is no material impact on its financial statements.

IAS 36 – Impairment of Assets

Limited scope amendments to the disclosure requirements in IAS 36 were issued by the IASB. The amendments clarified that the recoverable amount of an asset needs to be disclosed if there has been a material impairment loss recognized or reversed during the reporting period. If the recoverable amount is based on fair value less costs of disposal, the amendments also require disclosure of the discount rates used. The Corporation adopted this amendment on March 1, 2014 and has determined there is no impact to the financial statements.

Investments

Funds available for investments are managed by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

The Corporation's directly held real estate investments are recorded at cost and are being depreciated over their estimated useful life.

The Corporation has classified or designated its financial assets and liabilities in the following categories:

- available for sale (AFS)
- held to maturity (HTM)
- financial assets and liabilities at fair value through profit or loss (FVTPL)
- cash and cash equivalents, loans and receivables
- other financial liabilities

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

i) AFS Financial Assets

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

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

ii) HTM Financial Assets

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

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

iii) FVTPL Financial Assets

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

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

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

Loans and Receivables

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

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash, current operating accounts, provincial short term deposits (less than 90 days) and funds held in trust on behalf of other insurance companies and are designated as AFS.

Impairment of Financial Assets

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

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

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

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

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

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

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

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

Derecognition of Financial Assets

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

Financial Liabilities

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

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

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

Derivatives

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

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

Fair Value Determination

The fair values of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Cash equivalent investments comprise investments due to mature within 90 days from the date of purchase and are carried at fair value. Refer to Note 4 for further information on the fair value of financial instruments.

Deferred Policy Acquisition Costs

To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Replacement costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All repairs and maintenance costs are recognized in net income (loss) during the period in which they occur.

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

Land & Building

• HVAC systems	20 years
• land improvements	25 years
• roofing systems	30 years
• elevators/escalators	30 years
• buildings	40 years

Furniture & Equipment

• computer equipment	3 years
• vehicles	5 years
• furniture and equipment	10 years

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

Investment Property

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

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

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

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

Tenant improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period. Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed and the investment property is deemed available for use. Land is not subject to depreciation and is carried at cost.

Deferred Development Costs (Intangible Assets)

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

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

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

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

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

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

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

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

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

Leasing

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

MANITOBA PUBLIC INSURANCE AS A LESSEE

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

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

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

MANITOBA PUBLIC INSURANCE AS A LESSOR

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

Revenue

PREMIUMS

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

UNEARNED PREMIUMS

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

INTEREST REVENUE

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

DIVIDEND INCOME

Dividend income from investments is recognized when the Corporation's rights to receive payments is established.

REALIZED GAINS AND LOSSES

The realized gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortized cost as appropriate.

The realized gain or loss on disposal of property and equipment is the difference between the proceeds received, net of transaction costs, and its original cost or depreciated cost as appropriate.

UNREALIZED GAINS AND LOSSES

Unrealized gains or losses represent the difference between the carrying value at the year-end and the carrying value at the previous year-end or purchase value during the year, less the reversal of previously recognized unrealized gains or losses in respect of disposals during the year.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes accruals for vacation pay and sick pay determined in accordance with the Collective Agreement.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i. **Pension Benefit Plan**

The employees of the Corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act.* Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income in the current period. Actuarial gains and losses are recognized in OCI in the current period.

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 2014. Roll-forward procedures are performed to ensure that the December 31, 2014 valuation is a reliable estimate of the valuation at February 28, 2015.

ii. **Other Benefit Plans**

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

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

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

PROVISION FOR UNPAID CLAIMS

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

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

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

LIABILITY ADEQUACY TEST

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

Salvage and Subrogation

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

Structured Settlements

In the normal course of tort claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the consolidated statements of operations at the date of purchase and the related claims liabilities are derecognized. However, the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfill their obligations.

Allocation of Revenue, Claims Incurred and Expenses

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

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

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

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

Investment income is allocated to the automobile insurance division lines of business, *The Drivers and Vehicles Act* operations and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

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

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

ii. Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees, time usage, Contact Centre statistics, premiums written ratios and net claims incurred ratios. The basis for allocation of indirect shared expenses is approved by the Board of Directors.

iii. The allocation of improvement initiative costs is based on a review of each project to determine which line of business will benefit from the project. The allocation basis for each project is approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported gross and net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency

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

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

Comprehensive Income

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Corporation must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment of accounts receivable.

DEFERRED DEVELOPMENT COSTS (INTANGIBLE ASSETS)

Deferred development costs represent a significant portion of ongoing expenditures related to information systems development. Management estimates the expected period of benefit over which capitalized costs will be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and customer service requirements, as well as historical experience and internal plans for the projected use of the information systems.

PROVISION FOR UNPAID CLAIMS

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

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

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

PROVISION FOR EMPLOYEE FUTURE BENEFITS

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

FAIR VALUE OF LEVEL THREE AFS AND FVTPL INVESTMENTS

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgement or estimation. See Note 4 for further details of valuation methods and assumptions.

Future Changes in Accounting Policy and Disclosure

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

IAS 1 – Presentation of Financial Statements

In December 2014, IAS 1 was amended to clarify that materiality applies to all parts of the consolidated financial statements and provides examples of how to clarify understandability and comparability in the ordering of note disclosures. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

IFRS 4 – Insurance Contracts

The IASB is undertaking Phase II of the Insurance Contracts project to develop a standard to replace the current IFRS 4, *Insurance Contracts* that was developed in Phase I. The revised exposure draft of the new IFRS was released in June 2013. The exposure draft continues to propose a new standard on accounting for insurance contracts which would replace IFRS 4. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on financial reporting of insurers. A final standard is expected in 2015 with implementation not expected before 2019. The corporation continues to monitor developments in this area.

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39 – "Financial Instruments: Recognition and Measurement" to IFRS 9 – "Financial Instruments". The amendments are effective on adoption of IFRS 9. The amendments are permitted to be early adopted where IFRS 9 is also early adopted. The Office of the Superintendent of Financial Institutions (OSFI) has indicated that it will not allow early adoption of IFRS 9 for federally regulated financial institutions. While the Corporation is not federally regulated, it generally follows OSFI's guidance on such matters. The Corporation is evaluating the impact this amendment will have on the financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments*, as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement*.

The new standard requires financial assets to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value.

For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to the Statement of Operations; however, dividends from such equity investments will continue to be recognized in profit or loss.

The standard includes introduction of a fair value through other comprehensive income (FVOCI) measurement category for simple debt instruments. In this measurement category, the Statement of Financial Position will reflect the fair value carrying amount while amortized cost information is presented in the Statement of Operations. The difference between the fair value and amortized cost information will be recognized in other comprehensive income.

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters.

The Corporation is in the process of assessing the impact of the new standard.

IAS 19R – Employee Benefits

In November 2013, the IASB issued a narrow scope amendment to IAS 19R. The amendment applies to contributions from employees or third parties to defined benefit plans. The amendment allows contributions independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the related service is rendered instead of attributed to period of service using the same attribution method as used for the gross benefit. The amendment is effective for annual periods beginning on or after July 1, 2014. The Corporation does not expect this amendment to impact the consolidated financial statements.

Annual Improvement Cycles

The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects.

The annual improvement cycles for 2010-2012 and 2011-2013 were issued by the IASB and included minor amendments to several standards. These amendments are effective for annual periods beginning on or after July 1, 2014. The Corporation has assessed the amendments and concluded that there is no impact to the consolidated financial statements.

Annual improvement 2012–2014 cycle was issued in September 2014 by the IASB, and included minor amendments to IFRS 7 and IAS 19R. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

4. Investments

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

Cash equivalent investments have a total principal amount of $66.4 million (2014 – $89.7 million) comprised of provincial short-term deposits with effective interest rates of 0.60% to 0.68% (2014 - 0.87% to 0.89%), 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 (2014 - $5.0 million). There were no drawdowns against this line of credit at February 28, 2015 (2014 – nil).

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments				
As at February 28, 2015	**Classified as Available for Sale**	**Classified as Held to Maturity**	**Classified as Fair Value Through Profit or Loss**	**Non-Financial Instruments**	**Total Fair Value**
Cash and cash equivalents	**68,882**				**68,882**
Bonds					
Federal	**-**	**-**	**114,774**	**-**	**114,774**
Manitoba:					
Provincial	**-**	**-**	**244,640**	**-**	**244,640**
Municipal	**-**	**10,552**	**27,179**	**-**	**37,731**
Hospitals	**-**	**-**	**10,867**	**-**	**10,867**
Schools	**-**	**596,239**	**-**	**-**	**596,239**
Other provinces:					
Provincial	**-**	**-**	**513,008**	**-**	**513,008**
Municipal	**-**	**-**	**128,815**	**-**	**128,815**
Corporations	**-**	**-**	**61,077**	**-**	**61,077**
	-	**606,791**	**1,100,360**	**-**	**1,707,151**
Other investments	**2,446**	**-**	**-**	**-**	**2,446**
Infrastructure	**-**	**-**	**55,930**	**-**	**55,930**
Equity investments	**520,802**	**-**	**-**	**-**	**520,802**
Pooled Real Estate Fund	**-**	**-**	**204,847**	**-**	**204,847**
Investments	**523,248**	**606,791**	**1,361,137**	**-**	**2,491,176**
Investment property	**-**	**-**	**-**	**42,417**	**42,417**
	592,130	**606,791**	**1,361,137**	**42,417**	**2,602,475**

(in thousands of Canadian dollars)	Financial Instruments				
As at February 28, 2014	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss	Non-Financial Instruments	Total Fair Value
Cash and cash equivalents	93,208	-	-	-	93,208
Bonds					
Federal		-	89,512	-	89,512
Manitoba:					
Provincial	-	-	270,443	-	270,443
Municipal	-	12,599	17,615	-	30,214
Hospitals	-	-	11,482	-	11,482
Schools	-	567,853	-	-	567,853
Other provinces:					
Provincial	-	-	447,472	-	447,472
Municipal	-	-	84,519	-	84,519
Corporations	-	-	49,351	-	49,351
	-	580,452	970,394	-	1,550,846
Other investments	3,885	-	-	-	3,885
Infrastructure	-	-	48,049	-	48,049
Equity investments	519,705	-	-	-	519,705
Pooled Real Estate Fund	-	-	192,920	-	192,920
Investments	523,590	580,452	1,211,363	-	2,315,405
Investment property	-	-	-	38,312	38,312
	616,798	580,452	1,211,363	38,312	2,446,925

Gross unrealized gains and gross unrealized losses included in AOCI on available for sale equity and other investments are comprised as follows:

As at February 28, 2015

(in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	**324,639**	**119,922**	**444,561**
With unrealized (losses)	**90,498**	**(14,257)**	**76,241**
Subtotal – Equity Investments	**415,137**	**105,665**	**520,802**
Other Investments			
With unrealized gains	**790**	**1,562**	**2,352**
With unrealized (losses)	**165**	**(71)**	**94**
Subtotal – Other Investments	**955**	**1,491**	**2,446**
Total AFS Equity and Other Investments	**416,092**	**107,156**	**523,248**

As at February 28, 2014

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	383,296	99,296	482,592
With unrealized (losses)	37,914	(801)	37,113
Subtotal – Equity Investments	421,210	98,495	519,705
Other Investments			
With unrealized gains	1,251	2,128	3,379
With unrealized (losses)	598	(92)	506
Subtotal – Other Investments	1,849	2,036	3,885
Total AFS Equity and Other Investments	423,059	100,531	523,590

AFS financial assets where the investment's underlying cost is greater than the fair value, the loss has not been recognized in net income either because:

- there is not objective evidence of impairment, or
- the loss is not considered to be significant or prolonged.

Fair Value Measurement

Financial assets 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.

No investments were transferred between levels in 2015 or 2014.

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

As at February 28, 2015 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**70,914**	**1,013,966**	**15,480**
Infrastructure	**-**	**-**	**55,930**
Pooled real estate	**-**	**204,847**	**-**
Total FVTPL financial assets	**70,914**	**1,218,813**	**71,410**
AFS financial assets			
Cash and cash equivalents	**68,882**	**-**	**-**
Other investments	**-**	**-**	**2,446**
Equity investments	**520,802**	**-**	**-**
Total AFS financial assets	**589,684**	**-**	**2,446**
Total assets measured at fair value	**660,598**	**1,218,813**	**73,856**

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

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Balance at March 1	**63,469**	38,716	**3,885**	4,099
Total gains/(losses)				
Included in net income	**5,621**	726	**(830)**	-
Included in OCI	**-**	-	**(545)**	193
Purchases	**2,320**	24,027	**-**	-
Sales	**-**	-	**(64)**	(407)
Balance at February 28	**71,410**	63,469	**2,446**	3,885

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates market value. As of February 28, 2015 the fair value of municipal, utilities, schools and hospital bonds held to maturity is $606.8 million (2014 - $580.5 million).

Impairment

Impairment losses were based on management's best estimate of whether objective evidence of impairment exists, using available market data and other observable data. Impaired investments included in the Corporation's portfolio include the following:

As at February 28, 2015

(in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Available for sale	**1,439**	**(830)**	**609**
	1,439	**(830)**	**609**

As at February 28, 2014

(in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Available for sale	2,590	(1,194)	1,396
	2,590	(1,194)	1,396

Investment Income

(in thousands of Canadian dollars)	**2015**	2014
Interest income	**50,514**	47,704
Gain (loss) on sale of FVTPL bonds	**27,090**	(7,228)
Unrealized gain(loss) on FVTPL bonds	**75,691**	(15,792)
Unrealized gain on pooled real estate	**11,927**	19,918
Dividends on infrastructure investments	**985**	982
Unrealized gain on infrastructure investments	**5,562**	1,591
Dividend income	**28,468**	14,021
Gain on sale of equities and other investments	**28,935**	114,188
Gain on foreign exchange	**82**	2,478
Income from investment property	**1,848**	2,529
Impairment of AFS investments	**(830)**	(1,194)
Investment management fees	**(4,122)**	(4,074)
Total	**226,150**	175,123

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.1 million (2014 – $4.1 million). This includes $2.4 million (2014 – $2.7 million) of fees the Province paid to outside managers on the Corporation's behalf.

5. Investment Property – Non-Financial Instruments

(in thousands of Canadian dollars)	cityplace Building*	Surface Parking Lots	Parkade	Total
Cost				
Balance at March 1, 2013	23,822	4,578	10,822	39,222
Additions	3,051	-	-	3,051
Balance at February 28, 2014	26,873	4,578	10,822	42,273
Additions	5,423	-	-	5,423
Balance at February 28, 2015	**32,296**	**4,578**	**10,822**	**47,696**
Accumulated Depreciation				
Balance at March 1, 2013	2,282	-	855	3,137
Depreciation	601	-	223	824
Balance at February 28, 2014	2,883	-	1,078	3,961
Depreciation	1,096	-	222	1,318
Balance at February 28, 2015	**3,979**	-	**1,300**	**5,279**
Carrying Amounts				
At February 28, 2014	23,990	4,578	9,744	38,312
At February 28, 2015	**28,317**	**4,578**	**9,522**	**42,417**
Fair Value at February 28, 2015	**38,000**	**8,200**	**16,300**	**62,500**

* Includes the portion of the cityplace building not used for administrative purposes as well as tenant improvements.

6. Due from Other Insurance Companies

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**4,080**	1,002
Claims paid ceded to reinsurers	**30,947**	3,105
Less: recovery from reinsurers	**(34,584)**	(27)
Balance at February 28	**443**	4,080

7. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**24,742**	26,312
Deferred during the year	**104,694**	106,036
Expensed during the year	**(104,169)**	(103,985)
Write-down	**(1,253)**	(3,621)
Balance at February 28	**24,014**	24,742

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

8. Property and Equipment

(in thousands of Canadian dollars)	Land & Buildings (1)	Furniture & Equipment (2)	Property under Finance Lease (3)	Property under Construction (4)	Total
Cost					
Balance at March 1, 2013	118,983	74,787	13,451	11,444	218,665
Additions	-	1,648	-	5,207	6,855
Disposals	(602)	(6,906)	-	-	(7,508)
Transfer from (out of) Property under construction(5)	9,409	-	-	(12,460)	(3,051)
Balance at February 28, 2014	127,790	69,529	13,451	4,191	214,961
Additions	-	1,617	-	3,602	5,219
Disposals	-	(5,377)	-	-	(5,377)
Transfer from (out of) Property under construction(5)	3,068	42	-	(3,114)	(4)
Balance at February 28, 2015	**130,858**	**65,811**	**13,451**	**4,679**	**214,799**
Accumulated Depreciation					
Balance at March 1, 2013	24,547	66,255	979	-	91,781
Disposals	(367)	(6,854)	-	-	(7,221)
Depreciation	2,955	3,260	336	-	6,551
Balance at February 28, 2014	27,135	62,661	1,315	-	91,111
Disposals	-	(5,231)	-	-	(5,231)
Depreciation	3,176	3,022	336	-	6,534
Balance at February 28, 2015	**30,311**	**60,452**	**1,651**	-	**92,414**
Carrying Amounts					
At February 28, 2014	100,655	6,868	12,136	4,191	123,850
At February 28, 2015	**100,547**	**5,359**	**11,800**	**4,679**	**122,385**

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

9. Deferred Development Costs

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2013	102,924
Additions	29,819
Balance at February 28, 2014	132,743
Additions	17,079
Balance at February 28, 2015	**149,822**
Accumulated Amortization	
Balance at March 1, 2013	55,311
Amortization	8,847
Balance at February 28, 2014	64,158
Amortization	16,575
Balance at February 28, 2015	**80,733**
Carrying Amounts	
At February 28, 2014	68,586
At February 28, 2015	**69,089**

Deferred development costs of $33.4 million (2014 - $56.0 million) have not yet been put into use and are currently not being amortized. No impairments were recognized during the year (2014 – nil).

10. Due to Other Insurance Companies

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**1,934**	1,788
Change in reinsurance ceded premiums written less installment payments	**(415)**	86
Change in amounts received as collateral for reinsurers' share of unpaid claims	**(1,518)**	60
Balance at February 28	**1**	1,934

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2015**	2014
Due to the Province of Manitoba	**11,160**	10,566
Payroll	**3,467**	2,973
Broker commissions	**8,119**	8,085
Provision for fleet rebates	**14,333**	14,178
International Registration Program payable to other jurisdictions	**5,717**	3,445
Other payables and accrued liabilities	**19,491**	23,779
Balance at February 28	**62,287**	63,026

12. Financing Lease Obligation

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

(in thousands of Canadian dollars with the exception of interest rates)	**2015**	2014
Interest rate	**6.70%**	6.70%
Interest expense for the year	**295**	299
Financing lease obligation at February 28	**4,364**	4,425

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Not later than one year	**373**	356	**360**	343
Later than one year and not later than five years	**1,500**	1,499	**1,313**	1,311
Later than five years	**6,235**	6,610	**3,877**	3,988
Total	**8,108**	8,465	**5,550**	5,642

13. Operating Leases

AS A LESSEE:

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

Non-cancellable operating lease rentals are payable as follows:

(in thousands of Canadian dollars)	**2015**	2014
Not later than one year	**801**	826
Later than one year and not later than five years	**2,559**	2,877
Later than five years	**1,614**	1,980
Total	**4,974**	5,683

During the year ended February 28, 2015, $857 thousand was recognized as an expense for operating leases (2014 - $850 thousand) in the Statement of Operations.

AS A LESSOR:

The Corporation owns the cityplace property located in downtown Winnipeg including the cityplace building, two adjacent parking lots and one adjacent parkade. The cityplace building includes five floors of office space, three floors of parking and two floors of retail space. The Corporation uses approximately 60% of the building for administrative purposes and leases out the remaining 40%. Tenant improvements are 100% investment property and therefore do not factor into the calculation. The leases are all classified as operating leases.

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

(in thousands of Canadian dollars)	**2015**	2014
Not later than one year	**3,530**	3,319
Later than one year and not later than five years	**9,934**	11,578
Later than five years	**7,317**	8,450
Total	**20,781**	23,347

During the year ended February 28, 2015, income from investment property includes gross rental income from operating leases of $13.2 million (2014 - $12.6 million) and gross rental expenses pertaining to operating leases of $11.4 million (2014 - $10.0 million). Included in rental income is income contingent on retail sales of $205 thousand (2014 - $189 thousand).

14. Unearned Premiums and Fees

		2015	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Unearned premiums			
Balance at March 1	**457,113**	**61**	**457,052**
Premiums written	**1,044,356**	**17,801**	**1,026,555**
Premiums earned	**(1,019,553)**	**(17,783)**	**(1,001,770)**
Balance at February 28	**481,916**	**79**	**481,837**
Prepaid premiums	**38,151**	**-**	**38,151**
Unearned fees	**7,054**	**-**	**7,054**
Balance at February 28	**527,121**	**79**	**527,042**

		2014	
(in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Unearned premiums			
Balance at March 1	435,478	69	435,409
Premiums written	995,556	17,564	977,992
Premiums earned	(973,921)	(17,572)	(956,349)
Balance at February 28	457,113	61	457,052
Prepaid premiums	36,070	-	36,070
Unearned fees	4,628	-	4,628
Balance at February 28	497,811	61	497,750

15. Provision for Employee Current Benefits

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

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**21,800**	21,501
Provisions incurred	**14,690**	15,351
Payments	**(14,326)**	(15,052)
Balance at February 28	**22,164**	21,800

16. Provision for Employee Future Benefits

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

The Corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2014, with the next scheduled actuarial valuation being December 31, 2015.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. The weighted average duration of the defined benefit obligation is 17.15 years (2014 – 16.0 years). Results from the most recent actuarial valuations, projected to February 28, 2015 and the corresponding economic assumptions are as follows:

Assumptions:	Pension Benefit Plan		Other Benefit Plans	
	2015	2014	**2015**	2014
Discount rate	**3.60%**	4.20%	**3.60%**	4.20%
Inflation rate	**2.00%**	2.00%		
Expected salary increase	**2.75%**	0.00%		
Expected health care cost increase (out of scope)			**5.50%**	5.80%
Expected health care cost increase (in scope)			**2.00%**	2.00%

Change in benefit obligations:

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Balance at March 1	**285,326**	285,360	**47,812**	46,795
Current service cost	**12,054**	12,245	**5,059**	4,084
Interest cost	**12,349**	11,710	**780**	772
Benefits paid	**(9,659)**	(8,733)	**(2,701)**	(2,879)
Remeasurement (gains) losses recognized in OCI	**39,264**	(15,256)	**835**	(960)
Balance at February 28	**339,334**	285,326	**51,785**	47,812
Employee contribution for the year	**8,909**	8,257	**-**	-

Plan Assets

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

Benefit Plan Expenses

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**2015**	2014	**2015**	2014
Current service cost	**12,054**	12,245	**5,059**	4,084
Interest cost	**12,349**	11,710	**780**	772
	24,403	23,955	**5,839**	4,856

Sensitivity analysis

Based on the December 31, 2014 actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

<u>Pension Benefit Plan</u>	
Gain due to discount rate increasing from 3.60% to 4.60% (plus 1.00%)	(54,918)
Loss due to discount rate decreasing from 3.60% to 2.60% (minus 1.00%)	72,352
Loss due to mortality life expectancy at age 65 up one year	4,608
Loss due to inflation indexing (2/3rd COLA) increasing from 2.00% to 3.00% (plus 1.00%)	30,541
Gain due to inflation indexing (2/3rd COLA) decreasing from 2.00% to 1.00% (minus 1.00%)	(26,626)
<u>Other Benefit Plans</u>	
Gain due to discount rate increasing from 3.60% to 4.60% (plus 1.00%)	(4,635)
Loss due to discount rate decreasing from 3.60% to 2.60% (minus 1.00%)	6,242
Loss due to mortality life expectancy at age 65 up one year	1,253
Loss due to health care cost inflation indexing increasing 1.00%	6,072
Gain due to health care cost inflation indexing decreasing 1.00%	(4,617)

17. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at the end of February, 2015 and 2014.

(in thousands of Canadian dollars)		**2015**	
	Gross	**Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Outstanding case reserves	**1,132,334**	**6,092**	**1,126,242**
Provision for incurred but not reported claims	**329,775**	**1,578**	**328,197**
Provision for internal loss adjusting expenses	**175,057**	**-**	**175,057**
Effect of discounting	**(143,066)**	**(155)**	**(142,911)**
Provision for adverse deviation	**280,516**	**603**	**279,913**
Premium deficiency	**11,950**	**-**	**11,950**
Provision for Unpaid Claims	**1,786,566**	**8,118**	**1,778,448**
Provision for Unearned Premiums (Note 14)	**481,916**	**79**	**481,837**
Insurance Contract Provisions	**2,268,482**	**8,197**	**2,260,285**

(in thousands of Canadian dollars)		2014	
	Gross	Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,164,186	21,487	1,142,699
Provision for incurred but not reported claims	306,852	1,728	305,124
Provision for internal loss adjusting expenses	168,255	-	168,255
Effect of discounting	(233,065)	(291)	(232,774)
Provision for adverse deviation	281,762	1,817	279,945
Premium deficiency	20,724	-	20,724
Provision for Unpaid Claims	1,708,714	24,741	1,683,973
Provision for Unearned Premiums (Note 14)	457,113	61	457,052
Insurance Contract Provisions	2,165,827	24,802	2,141,025

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at the end of February, 2015 and 2014.

(in thousands of Canadian dollars)	**2015**		
	Gross	**Reinsurance Ceded**	**Net**
Basic	**1,917,396**	**2,122**	**1,915,274**
Extension	**96,603**	**(604)**	**97,207**
Special Risk Extension	**105,083**	**6,231**	**98,852**
Total undiscounted	**2,119,082**	**7,749**	**2,111,333**
Discounting with Provision for Adverse Deviation and premium deficiency	**149,400**	**448**	**148,952**
Total Insurance Contract Provisions	**2,268,482**	**8,197**	**2,260,285**

(in thousands of Canadian dollars)	2014		
	Gross	Reinsurance Ceded	Net
Basic	1,908,747	16,122	1,892,625
Extension	97,959	(603)	98,562
Special Risk Extension	110,434	7,767	102,667
Total undiscounted	2,117,140	23,286	2,093,854
Discounting with Provision for Adverse Deviation	48,697	1,526	47,171
Total Insurance Contract Provisions	2,165,837	24,812	2,141,025

18. Claims Liabilities

METHODOLOGY AND ASSUMPTIONS

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

Loss Development Method

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

Bornheutter-Ferguson Method

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

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

By line of business and coverage, losses paid and incurred for the last 20 accident years, on a gross basis, are organized in a triangular form by accident year and development period. Adjustments are made to the triangles for Comprehensive coverage and indexed coverages:

- For Comprehensive coverage, catastrophic losses are removed from the triangles. For the purpose of the valuation, catastrophic losses are defined as losses from a single catastrophic event whereby the incurred losses from the event exceed the Corporation's catastrophe retention level for the applicable accident year. The claim liabilities for these catastrophic losses are evaluated separately.

- For indexed coverages, prior years' losses are brought to current benefit levels so that the loss development factors are unaffected by indexation.

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

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

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

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

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

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

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

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

CHANGES IN ASSUMPTIONS

Change in Discount Rate

The selected discount rate, determined based on the average duration weighted yield for the Corporation's bond portfolio, decreased by 76 basis points, from 3.68% to 2.92%, between the February 28, 2014 valuation and the February 28, 2015 valuation. The decrease in the selected discount rate increased the discounted net claim liabilities by $112.2 million and ILAE provision by $12.2 million.

Interest Rate Margin for Adverse Deviation

The interest rate margin for adverse deviation (MFAD) is decreased from 100 basis points to 75 basis points i.e. a decrease of 25 basis points. This decrease is to reflect the low discount rate used in the valuation of claim liabilities. The real discount rate as at February 28, 2015 was 0.90%, which would have resulted in a negative discount rate based on the interest rate MFAD of 100 basis points. The decrease in the interest rate MFAD decreased the discounted net claim liabilities by $24.7 million and ILAE provision by $2.7 million.

Change in Loss Development Factors

The selected loss development factors for all coverages are reviewed and revised to reflect an additional year of actual losses. The aggregate effect of all revisions to the selected loss development factors is an increase in the discounted net claim liabilities of $13.2 million and ILAE provision of $2.7 million.

Change in Selected ILAE Ratio

The selected ILAE loss ratios for all coverages are reviewed and revised to reflect recent indications. The aggregate effect of all revisions to the selected ILAE ratios is a decrease in the ILAE provision of $4.6 million.

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

Balance at February 28, 2015 (in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,628,459**	**8,118**	**1,620,341**
Physical Damage	**155,771**	**-**	**155,771**
	1,784,230	**8,118**	**1,776,112**
Discontinued Operations - Personal/Commercial Lines	**2,336**	**-**	**2,336**
	1,786,566	**8,118**	**1,778,448**

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

CHANGES IN UNPAID CLAIMS AND ILAE PROVISION

Gross

(in thousands of Canadian dollars)	**2015**	2014
Discounted unpaid claims at March 1	**1,519,735**	1,403,569
Effect of discounting and Provision for Adverse Deviation	**(48,697)**	(70,518)
Undiscounted unpaid claims at March 1	**1,471,038**	1,333,051
Ultimate claims for current accident year	**695,156**	747,160
Payment on current accident year claims	**(416,666)**	(416,247)
Change in ultimate claims from prior accident years	**25,374**	71,397
Payments on prior accident years claims	**(312,793)**	(264,323)
Undiscounted unpaid claims at February 28	**1,462,109**	1,471,038
Effect of discounting and Provision for Adverse Deviation	**137,450**	48,697
Premium deficiency	**11,950**	20,724
Discounted unpaid claims at February 28	**1,611,509**	1,540,459
ILAE provision	**175,057**	168,255
Total unpaid claims provision	**1,786,566**	1,708,714

Reinsurance Ceded

(in thousands of Canadian dollars)	**2015**	2014
Discounted unpaid claims at March 1	**24,741**	33,732
Effect of discounting and Provision for Adverse Deviation	**(1,526)**	(2,730)
Undiscounted unpaid claims at March 1	**23,215**	31,002
Ultimate claims for current accident year	**447**	2,796
Payments on current accident years	**-**	(2,246)
Change in ultimate claims from prior accident years	**(477)**	3,132
Payments on prior accident years claims	**(15,515)**	(11,469)
Undiscounted unpaid claims at February 28	**7,670**	23,215
Effect of discounting and Provision for Adverse Deviation	**448**	1,526
Discounted unpaid claims at February 28	**8,118**	24,741
ILAE provision	**-**	-
Total unpaid claims provision	**8,118**	24,741

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2015**	2014
Discounted unpaid claims at March 1	**1,494,994**	1,369,837
Effect of discounting and Provision for Adverse Deviation	**(47,171)**	(67,789)
Undiscounted unpaid claims at March 1	**1,447,823**	1,302,048
Ultimate claims for current accident year	**694,709**	744,364
Payment on current accident year claims	**(416,666)**	(414,001)
Change in ultimate claims from prior accident years	**25,851**	68,265
Payments on prior accident years claims	**(297,278)**	(252,853)
Undiscounted unpaid claims at February 28	**1,454,439**	1,447,823
Effect of discounting and Provision for Adverse Deviation	**137,002**	47,171
Premium deficiency	**11,950**	20,724
Discounted unpaid claims at February 28	**1,603,391**	1,515,718
ILAE provision	**175,057**	168,255
Total unpaid claims provision	**1,778,448**	1,683,973

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $280.0 million (2014 – $279.9 million). This is comprised of a claims development PfAD of $169.9 million (2014 – $153.5 million), an interest rate PfAD of $109.7 million (2014 – $125.3 million), and a reinsurance PfAD of $0.4 million (2014 - $1.1 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (2014 – nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2015 are a decrease of $1.1 million (2014 – no change). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

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

DEVELOPMENT OF ULTIMATE CLAIMS

The following table represents the development of claims on the gross basis as of February 28, 2015.

Gross	Accident Year								
(in thousands of Canadian dollars)	2008	2009	2010	2011	2012	2013	2014	2015	8 Year Total
Estimate of ultimate claims costs for the most recent eight years:									
At end of accident year	691,105	605,403	641,528	633,831	624,935	662,672	747,160	695,156	
One year later	672,846	591,749	611,577	627,341	628,331	688,939	749,198		
Two years later	669,780	576,027	608,583	635,392	648,565	693,249			
Three years later	638,322	556,757	610,837	633,448	641,615				
Four years later	636,848	576,287	604,017	643,939					
Five years later	642,221	578,040	606,305						
Six years later	647,992	580,572							
Seven years later	648,971								
Current estimate of cumulative claims cost	648,971	580,572	606,305	643,939	641,615	693,249	749,198	695,156	5,259,006
Cumulative payments to date	579,607	512,554	536,164	569,408	559,775	593,964	619,255	416,666	4,387,393
Effect of discounting and PfAD on above	7,429	7,151	7,141	7,766	8,125	9,998	12,319	22,299	82,227
Discounted gross unpaid claims in respect of years prior to 2008									643,477
Total gross unpaid claims									1,786,566
Current estimate of surplus (deficiency)	42,134	24,831	35,223	(10,108)	(16,680)	(30,577)	(2,038)	-	

The following table represents the development of claims on the net of reinsurance basis as of February 28, 2015.

Net of Reinsurance Ceded (in thousands of Canadian dollars)	Accident Year 2008	2009	2010	2011	2012	2013	2014	2015	8 Year Total
Estimate of ultimate claims costs for the most recent eight years:									
At end of accident year	649,685	604,932	618,906	633,302	624,467	662,195	744,364	694,710	
One year later	632,233	591,300	590,027	626,998	628,030	688,605	746,019		
Two years later	629,452	575,765	586,460	635,164	648,282	693,029			
Three years later	598,087	556,562	590,448	633,271	641,356				
Four years later	595,360	576,148	583,748	643,834					
Five years later	601,993	577,951	585,925						
Six years later	607,862	580,511							
Seven years later	608,808								
Current estimate of cumulative claims cost	608,808	580,511	585,925	643,834	641,356	693,029	746,019	694,710	5,194,192
Cumulative payments to date	539,502	512,555	515,864	569,407	559,775	593,964	616,560	416,666	4,324,293
Effect of discounting and PfAD on above	7,428	7,150	7,141	7,766	8,124	9,999	12,305	22,300	82,213
Discounted gross unpaid claims in respect of years prior to 2008									637,087
Total net unpaid claims									1,778,448
Current estimate of surplus (deficiency)	40,877	24,421	32,981	(10,532)	(16,890)	(30,834)	(1,655)	-	

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporations claim liabilities. PIPP claim liabilities are also the most uncertain because of the long term nature of these benefits. A 5.00% increase in net PIPP claim liabilities is equal to approximately $53.3 million. Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected. A 0.90% decrease in the interest rate would increase PIPP claim liabilities by approximately $41.8 million. We have assumed that the interest rate with margin will not be less than zero. However, this impact would be largely offset by gains on the Corporation’s fixed income portfolio. Changes to the assumptions for other coverages or lines of business are considered to be less material.

19. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2015, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (2014 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $15.0 million (2014 – $15.8 million). These arrangements protect the Corporation against losses up to $266.7 million (2014 – $266.7 million).

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

20. Capital Management

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

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

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

The Corporation's Board of Directors current target for total equity (which includes Basic retained earnings and the Basic portion of AOCI) is $213.0 million (2014 - $172.0 million for retained earnings only target) based on the 2014 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporation's Chief Actuary concluded that a minimum total equity level of $213.0 million would be required for Basic to achieve a satisfactory future financial condition. A total equity level lower than $213.0 million would result in a "not satisfactory" opinion because there were plausible adverse scenarios identified where liabilities exceed assets.

In 2010, the Corporation began using the maximum of the Public Utilities Board RSR target in its Public Utilities Board rate application for ratemaking purposes. The Public Utilities Board has established the Basic RSR target for rate-setting purposes based on 10.0% to 20.0% of written premiums. Based on the Public Utilities Board methodology, as at February 28, 2015, this range is $82.5 million to $165.0 million (2014 - $78.5 million to $156.9 million). In Order No. 11.12, the DCAT Technical Conference shall continue, on terms, and pending the Public Utilities Board's determination of the RSR target, the RSR target range will continue to be calculated on the basis of the Kopstein approach.

The Corporation's Board of Directors' current target level for Extension total equity (Retained Earnings and Extension's portion of AOCI) is $72.0 million (2014 - $72.0 million) based on the 2014 Extension Minimum Capital Test (MCT) report. Based on this target the Corporation's Chief Actuary has concluded that the future financial condition of this line of business is satisfactory.

The Corporation's Board of Directors' current target level of $45.0 million (2014 - $42.0 million) for SRE total equity (Retained Earnings and SRE's portion of AOCI) is based on the 2014 SRE MCT report. The Corporation's Chief Actuary has concluded that, based on this target, the future financial condition of this line of business is satisfactory.

The Extension Development Fund (EDF), is an appropriation from the non-Basic line of business Retained Earnings. The EDF was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing. As of February 28, 2014 the EDF was depleted to zero and was closed.

The below chart depicts the components of Retained Earnings.

(in thousands of Canadian dollars)	Basic		Non-Basic			Total
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Capital Reserve (NB-CR)	Retained Earnings (NB-RE)	Extension Development Fund (EDF)	Retained Earnings
Balance as at March 1, 2013	149,800	19,240	72,000	117,557	6,723	365,320
Net income (loss) from operations for the year	-	(69,162)	-	24,314	-	(44,848)
Transfer between RSR & B-RE	(49,922)	49,922	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	42,000	(42,000)	-	-
Transfer between NB-RE & EDF	-	-	-	6,723	(6,723)	-
Balance as at February 28, 2014	99,878	-	114,000	106,594	–	320,472
Net income (loss) from operations for the year	-	2,440	-	55,138	-	57,578
Transfer between RSR & B-RE	2,440	(2,440)	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	3,000	(3,000)	-	-
Transfer between NB-RE & RSR	75,500	-	-	(75,500)	-	-
Balance as at February 28, 2015	**177,818**	**-**	**117,000**	**83,232**	**-**	**378,050**

(in thousands of Canadian dollars)	
RSR before transfer from Non-Basic Retained Earnings (NB-RE)	102,318
AOCI-Basic (Note 21)	35,262
	137,580
Basic Target based on total equity	213,000
Transfer required from NB-RE to RSR	75,500

21. Accumulated Other Comprehensive Income

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

(in thousands of Canadian dollars)	Equity Investments	Other Investments	Total AOCI
Balance at March 1, 2013	102,464	(37,805)	64,659
Items that will not be reclassified to income			
Employee future benefits gain (loss)	-	16,216	16,216
Items that will be reclassified to income			
Unrealized gains (losses) on AFS assets	108,763	207	108,970
Reclassification of net realized (gains) losses related to AFS assets	(112,732)	(262)	(112,994)
Balance at February 28, 2014	98,495	(21,644)	76,851
Items that will not be reclassified to income			
Employee future benefits gain (loss)	-	(40,099)	(40,099)
Items that will be reclassified to income			
Unrealized gains (losses) on AFS assets	35,978	(1,289)	34,689
Reclassification of net realized (gains) losses related to AFS assets	(28,808)	744	(28,064)
Balance at February 28, 2015	**105,665**	**(62,288)**	**43,377**

Basic AOCI at February 28, 2015	**35,262**
Non-Basic AOCI at February 28, 2015	**8,115**
Total AOCI at February 28, 2015	**43,377**

22. Service Fees and Other Revenue

(in thousands of Canadian dollars)	**2015**	2014
Transaction fees	**8,022**	7,690
Time payment fees	**2,796**	2,719
Time payment interest	**14,172**	13,132
Late payment fees	**1,079**	1,106
Dishonoured payment fees	**861**	772
Identity card/Enhanced identity card fees	**348**	294
Other miscellaneous revenue	**819**	2,988
	28,097	28,701

23. The *Drivers and Vehicles Act* Operations Recovery

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

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

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

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

(in thousands of Canadian dollars)	**2015**	2014
Vehicle registration fees	**180,295**	175,877
Driver licensing fees	**23,918**	22,913
	204,213	198,790

24. Net Income (Loss) From Operations

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

(in thousands of Canadian dollars)	**2015**	2014
Basic insurance	**2,440**	(69,162)
Extension insurance	**43,134**	31,125
Special risk extension insurance	**10,768**	(6,932)
The *Drivers and Vehicles Act* operations	**1,236**	121
	55,138	24,314
Net income (loss) from operations	**57,578**	(44,848)

25. Discontinued General Insurance Operations

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

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

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

Discontinued operations resulted in a net income of $1.6 million (2014 – $0.3 million) which is reported as part of the Special Risk Extension line of business (Note 24). Included in the provision for unpaid claims is $2.3 million (2014 – $3.8 million) relating to discontinued operations.

26. Commitments

As of February 28, 2015, the Corporation has no material commitments.

27. Related-Party Transactions

Key Management Personnel

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

(in thousands of Canadian dollars)	**2015**	2014
Short term benefits	**1,606**	1,608
Post-employment benefits	**251**	196
Other long-term benefits	**24**	24
Termination benefits	**-**	-
	1,881	1,828

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

Province of Manitoba

Investment management fees paid to the Department of Finance are disclosed in Note 4.

Accounts Payable and Accrued Liabilities includes $11.2 million (2014 - $10.6 million) due to the Province of Manitoba.

28. Insurance and Financial Risk Management

Insurance Risk

The Corporation is exposed to insurance risk in that the risk under any one insurance contract creates the possibility that the insured event occurs and there is uncertainty regarding the amounts of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable.

Financial Risk

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

Market Risk

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

CURRENCY RISK

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. At February 28, 2015, total foreign denominated financial instruments had a carry value of $139.0 million U.S. ($173.8 million Cdn) and £6.4 million GBP ($12.3 million Cdn) which is approximately 7.2% of the Corporation's investment portfolio.

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10.0 million. The currency swap provides a fixed 5.76% return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5% rate based on the U.S. $10.0 million par value of the bond and receives 5.76% return based on a Canadian dollar notional value of $13.4 million. As of February 28, 2015 the fair value of the swap was $15.4 million. The maturity date of the currency swap and the bond is July 15, 2023.

INTEREST RATE RISK

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

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

Bonds	Average Effective Rate - %	
	2015	2014
Federal	**1.96**	2.57
Provincial	**2.25**	2.75
Municipal	**2.81**	3.93
Hospitals	**1.68**	1.94
Schools	**4.91**	5.02
Corporations	**2.52**	2.28

As at February 28, 2015, a 100 basis point increase in interest rates would result in a decrease in the fair value of the Corporation's fixed income portfolio of approximately $107.2 million (2014 - $67.3 million), whereas a 100 basis point decrease in interest rates would result in an increase in the fair value of the Corporation's fixed income portfolio of approximately $131.0 million (2014 - $78.9 million). As all of the Corporation's marketable fixed income assets are now classified as FVTPL, all changes would affect net income.

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

EQUITY PRICE RISK

The fair value of equity securities held by the Corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 28, 2015, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $52.3 million (2014 - $52.0 million) change in OCI.

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

Credit Risk

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

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

(in thousands of Canadian dollars)	**2015**	2014
Cash and cash equivalents	**68,882**	93,208
Bonds	**1,707,151**	1,550,846
Due from other insurance companies	**443**	4,080
Accounts receivable	**387,909**	334,137
Reinsurance receivable	**8,118**	24,741
Maximum credit risk exposure on the Statement of Financial Position	**2,172,503**	2,007,012

FIXED INCOME SECURITIES CREDIT RISK

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

	2015		2014	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
AAA	**211,548**	**12.4%**	137,412	8.9
AA	**1,471,257**	**86.2%**	1,391,128	89.7
A	**24,346**	**1.4%**	22,306	1.4
	1,707,151	**100.0%**	1,550,846	100.0

ACCOUNTS RECEIVABLE CREDIT RISK

The Corporation's accounts receivable are comprised of customers with varying financial conditions as the Corporation is required to provide basic insurance to all vehicle owners and drivers in the Province of Manitoba. All significant past due receivables, including subrogation receivables, are fully provided for due to the uncertainty of collection. Substantially all remaining receivables are deemed to be collectible within 12 months. The credit risk pertaining to premiums receivable is mitigated as a customer's policy may be cancelled for default of payment.

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

(in thousands of Canadian dollars)	**2015**	2014
Policy and time payments	**350,269**	296,978
Accrued interest	**25,684**	24,292
Subrogation and other receivables	**33,885**	32,602
Allowance for doubtful accounts	**(21,929)**	(19,735)
Balance at February 28	**387,909**	334,137

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2015**	2014
Balance at March 1	**19,735**	6,549
Accounts written off	**(2,031)**	(370)
Current period provision	**4,225**	13,556
Balance at February 28	**21,929**	19,735

REINSURANCE RECEIVABLE CREDIT RISK

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of which there were no outstanding amounts as of February 28, 2015 (2014 – $1.9 million). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place.

For the 2014/2015 fiscal year, ten reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5% to 35.0% on any one layer. The reinsurer exposed to 35.0% of the losses is licensed in Canada by the Office of the Superintendent of Financial Institutions and, therefore, subject to minimum capital requirements.

For the 2014/2015 fiscal year, 16 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 35.0% of the reinsurance exposure on any one layer.

No amount due from reinsurers was considered uncollectible during 2014/2015 and no allowance for doubtful accounts has been established as at February 28, 2015.

STRUCTURED SETTLEMENTS CREDIT RISK

The Corporation has settled some insurance claims by purchasing structured settlements from life insurers. As of the Statement of Financial Position date, the present value of expected payments totals $158.1 million (2014 – $149.7 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan.

Liquidity Risk

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

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

Bonds - maturity profile

	2015			
(in thousands of Canadian dollars)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total Fair Value**
Federal	**-**	**-**	**114,774**	**114,774**
Manitoba				
Provincial	**5,000**	**22,969**	**216,671**	**244,640**
Municipal	**205**	**6,348**	**31,178**	**37,731**
Hospitals	**-**	**10,867**	**-**	**10,867**
Schools	**1,018**	**17,003**	**578,218**	**596,239**
Other Provinces				
Provincial	**5,561**	**96,402**	**411,045**	**513,008**
Municipal	**-**	**8,051**	**120,764**	**128,815**
Corporations	**-**	**14,118**	**46,959**	**61,077**
	11,784	**175,758**	**1,519,609**	**1,707,151**

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

Liability Liquidity

	2015			
(in thousands of Canadian dollars)	**Within One Year**	**One Year To Five Years**	**After Five Years**	**Total Value**
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	**285,573**	**270,090**	**1,051,722**	**1,607,385**

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

29. Non-current assets and liabilities

The following table presents financial assets and liabilities the Corporation expects to recover or settle in 12 months or greater at February 28, 2015 and February 28, 2014.

(in thousands of Canadian dollars)	**2015**	2014
Assets:		
Bonds	**1,695,367**	1,534,822
Equity investments	**520,753**	519,705
Pooled real estate	**204,847**	192,919
Infrastructure and other investments	**58,376**	51,925
Reinsurers' share of unpaid claims	**7,665**	23,681
Total assets	**2,487,008**	2,323,052
Liabilities:		
Financing lease obligation	**3,991**	4,069
Provision for paid claims	**1,500,458**	1,359,878
Total liabilities	**1,504,449**	1,363,947
Net assets due after one year	**982,559**	959,105

30. Rate Regulation

Under the provisions of *The Crown Corporations Public Review and Accountability Act,* the Public Utilities Board has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the Corporation. No new rates or fees for services can be introduced without the approval of the Public Utilities Board. This business comprises approximately 88% (2014 - 87%) of the total business based on net claims incurred.

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

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

31. Subsequent Events

No subsequent events have occurred after February 28, 2015.

32. Contingent Liabilities

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