



*2014  
ANNUAL  
REPORT*



**Manitoba  
Public Insurance**





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# LETTERS OF TRANSMITTAL

May 25, 2015

The Honourable Gord Mackintosh  
Minister of Justice and Minister Charged  
with the Administration of *The Manitoba Public  
Insurance Corporation Act*  
Room 104, Legislative Building  
450 Broadway  
Winnipeg, MB R3C 0V8

Dear Minister,

In accordance with Section 43(1) of *The Manitoba Public  
Insurance Corporation Act*, I am pleased to submit  
the Annual Report of the Manitoba Public Insurance  
Corporation for the fiscal year ended February 28, 2015.

Respectfully submitted,



Jake Janzen  
Chairperson of the Board



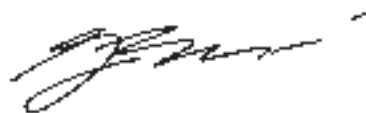
May 25, 2015

The Honourable Philip S. Lee  
Lieutenant Governor of the Province of Manitoba  
Room 235, Legislative Building  
450 Broadway  
Winnipeg, MB R3C 0V8

May it please your Honour,

I have the privilege of presenting the Annual  
Report of the Manitoba Public Insurance  
Corporation for the fiscal year ended  
February 28, 2015.

Respectfully submitted,



Gord Mackintosh  
Minister of Justice and Attorney General  
Minister Charged with the Administration  
of *The Manitoba Public Insurance  
Corporation Act*



2014/15

# YEAR-END SUMMARY

## DOLLARS AND CENTS

Approximate Autopac claims paid per working day	\$2.7 million
Total Autopac claims paid for injury and property damage occurring in 2014/15, respectively (before expenses)	\$149.2 million and \$532.5 million
Amounts paid by MPI to Manitoba medical practitioners on behalf of customers	\$32.7 million
Commissions paid by MPI to independent insurance brokers for product sales	\$81.7 million
Grants-in-lieu of taxes paid to Manitoba municipalities by MPI	\$1.8 million
Provincial premium taxes paid by MPI	\$31.1 million
Dollars invested in road safety programs	\$13.8 million
Potential savings to policyholders through use of recycled parts made available for use in claims repairs	\$11.7 million
Estimated direct savings to policyholders through subrogation	\$10.3 million

## SIGNIFICANT NUMBERS

Average number of Autopac claims reported to MPI per working day	1,102
Total Autopac claims reported	273,244
Bodily injury claims reported	16,193
Property damage claims reported	257,051
Total theft claims reported in Winnipeg	1,880
Total theft claims reported elsewhere in province	799
Number of Autopac policies in force (average)	1,088,503

## CORPORATE

### FIVE YEAR STATISTICS

	2014/15	2013/14	Restated 2012/13	2011/12	2010/11
Premiums written (\$000)	<b>1,026,555</b>	977,992	936,271	959,540	929,724
Claims incurred (\$000)	<b>844,875</b>	861,137	746,482	701,850	418,411
Number of claims	<b>273,244</b>	287,741	287,105	277,201	275,763
Average cost per claim (\$)	<b>3,092</b>	2,993	2,600	2,532	1,517
Claim expenses (\$000)	<b>134,247</b>	132,563	126,848	132,325	110,857
Other expenses (\$000)	<b>247,217</b>	239,219	248,885	238,347	236,104
Net income (loss) (\$000)	<b>57,578</b>	(44,846)	(34,940)	37,423	292,516
Net income (loss) after surplus distribution (\$000)	<b>57,578</b>	(44,846)	(34,940)	23,303	(29,162)
Investments at year-end (\$000)	<b>2,599,971</b>	2,443,390	2,328,567	2,254,732	2,420,738
Total assets (\$000)	<b>3,215,049</b>	3,028,171	2,881,133	2,787,210	2,992,030

# BOARD OF DIRECTORS

## **STANDING (left to right)**

TED MARCELINO

MARY JOHNSON, *Vice-Chairperson*

JEANNE MILLIS

DAN GUIMOND, *Ex-Officio*

KAREN MacKINNON

WILLIAM SAUNDERS

MARTY DONKERVOORT

## **SEATED (left to right)**

TERRY PRYCHITKO

JAKE JANZEN, *Chairperson*

DEBBIE MINTZ





## MESSAGE FROM THE CHAIRPERSON

Manitoba Public Insurance prides itself on providing all Manitobans with universal access to affordable, comprehensive automobile insurance. In doing so, we remain accountable to our customers and continue to deliver value, with rates consistently among the lowest across the country. In Winnipeg, insuring a 2010 Dodge Grand Caravan SE would cost \$1,165 as compared to \$2,231 in Calgary and \$6,652 in Toronto for a 40-year-old couple and their 16-year-old son, all with clean driving records.

While our coverage remains among the best in Canada, the volatility of the global financial climate, the unpredictability of weather patterns and the rapidly changing vehicle repair industry mean diligence – including continued cost containment – is imperative. The Corporation will continue to identify, investigate and implement operational cost reduction initiatives and exercise appropriate fiscal restraint to ensure all expenditures are appropriate and necessary. Last year, we returned \$1.09 of every premium dollar from Basic Autopac back to Manitobans in the form of claims benefits, significantly above the industry average.

Manitoba Public Insurance also remains fundamentally committed to our mission: “working with Manitobans to reduce risk on the road.” We continue to raise awareness and educate people about a number of important loss prevention topics including distracted driving, impaired driving, speeding and the proper use of occupant restraints. Our like-minded partnerships help us extend the reach of this messaging.

I want to recognize my colleagues on the Board of Directors for their passion and commitment. It is a pleasure and privilege to work with such a dedicated and driven team. In particular, I want to thank Dale Paterson and Melanie Wight, who retired from the board last year, for their service and welcome our newest members, Ted Marcelino and Terry Prychitko.

I also want to acknowledge the executive, management and employees of Manitoba Public Insurance. The Corporation was once again selected as one of Manitoba’s Top Employers by a national advisory council. This honour recognizes a high-quality workplace where staff can collaborate, remain accountable and innovate, while delivering the value that Manitobans expect and deserve.

JAKE JANZEN  
*Chairperson of the Board*

# EXECUTIVE TEAM

## LEFT TO RIGHT

**WARD KEITH**

*Vice-President, Business Development & Communications  
and Chief Product Officer (Acting)*

**KATHY KALINOWSKY**

*General Counsel and Corporate Secretary*

**DAN GUIMOND**

*President and Chief Executive Officer*

**SHANNON LEPPKY**

*Vice-President, Human Resources  
and Chief Human Resources Officer*

**HEATHER REICHERT**

*Vice-President, Finance and Chief Financial Officer*

**BRAD BUNKO**

*Vice-President, Information Technology  
& Business Transformation  
and Chief Information Officer*

**CHRISTINE MARTIN**

*Vice-President, Customer Service  
and Chief Operating Officer*







## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The mission of Manitoba Public Insurance is “working with Manitobans to reduce risk on the road.” Fulfilling our mission is the driving force behind everything we do. We will achieve this by focusing on rate stability and predictability with one of the lowest cost compulsory auto insurance policies in Canada, by collaborating with our stakeholders and by diversifying our business to meet the evolving needs of Manitobans.

The Corporation is preparing for the future in many ways. The vehicle repair industry continues to evolve, as Original Equipment Manufacturers drive changes on how vehicles are made and repaired. More vehicles are being made with complex materials such as aluminum and boron steel, and repairs to these materials require different tools, training, equipment and facilities than traditional steel. Manitoba’s robust collision repair trade is more than capable of meeting this challenge, and Manitoba Public Insurance is working closely with the repair industry to develop cost-effective training and research. Together we are committed to supporting the continuation of a viable industry and to ensuring safe, reliable and quality repairs for our customers.

Our long-term planning extends to other key initiatives including our High School Driver Education Redevelopment Program, where we are maximizing the effectiveness of how we teach students to drive by leveraging current technologies, learning concepts and delivery methods. Our Loss Prevention Strategy and Framework combines all elements of loss prevention to work towards our overall goal of reduced claims and lower claims costs. By working hard to prepare for future changes and evolving technology, we will not only reduce risk on the road, we will achieve maximum value as well.

We recognize that as we ready ourselves for the future, we need to continue to provide industry-leading value to Manitobans. To that end, we remain firmly committed to our Value Equation – where price, coverage, service and access combine. We continue to provide guaranteed access to comprehensive coverage at an affordable price – without prejudice towards age, gender or other arbitrary factors – and service where and when our customers need it. Customer service remains of utmost importance, with the Corporation continually evolving and adapting to fulfill the needs and expectations of our customers, while maximizing efficiency.

Moving forward, I am confident that Manitoba Public Insurance’s culture of collaboration, accountability and innovation will allow us to achieve our mission of reducing risk on the road while delivering on our Value Equation for all Manitobans.

DAN GUIMOND  
*President and Chief Executive Officer*

# PROVIDING VALUE FOR MANITOBANS

At Manitoba Public Insurance, our mission is  
“working with Manitobans to reduce risk on the road.”

We remain steadfastly focused on achieving that mission today and tomorrow, as the vehicle manufacturing and repair industries undergo dramatic change. This change is driven by the increased use of complex materials in vehicle construction and advanced safety features, such as collision-avoidance technologies.

Technological change will continue over the long term to include autonomous, self-driving vehicles on our roads – several varieties of these vehicles are now in testing stages. We are positioning ourselves and working with our partners to continue to ensure safe, reliable and quality repairs that reduce risk on the road, while managing the velocity of change underway in the auto industry.

At Manitoba Public Insurance, we believe partnerships with stakeholders across all aspects of our business are essential to remaining relevant moving forward. Through these partnerships, we continue to put forward quality solutions, products and services for our customers and to provide the value that all Manitobans deserve and expect.

Our fundamental commitment to our Value Equation, where price, coverage, service and access combine, creates value for our customers. This includes guaranteed access to comprehensive coverage at an affordable price, delivered without prejudice towards age, gender or other arbitrary factors, and service where and when Manitobans need it.

# VALUE EQUATION

**PRICE** + **COVERAGE** + **SERVICE** + **ACCESS** = **VALUE**

AFFORDABLE INSURANCE	COMPREHENSIVE PROTECTION AGAINST THE COST OF COLLISIONS	SERVICE WHERE AND WHEN YOU NEED IT	EASILY ATTAINABLE COVERAGE AND SERVICES THAT DO NOT DISCRIMINATE	FOR ALL MANITOBANS
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Through **COLLABORATION** with partners, **ACCOUNTABILITY** to Manitobans and **INNOVATION** in products and services, we continue our commitment to reducing risk on the road.



## MEETING OUR CUSTOMERS' NEEDS

Manitoba Public Insurance is constantly evolving to meet the diverse needs and service expectations of our customers, while providing guaranteed access to affordable automobile insurance and safe, high-quality vehicle repairs.

We believe listening to regular, ongoing input from our customers is essential to our continual improvement and we work hard to respond to customer interests. Given the growth and increasing diversity of Manitoba's population, the continuous advances in technology and the changing automobile industry, we continue to refine and adapt our products and services with our customers and business partners in mind.

We also continue to increase service capacity and flexibility, enabling us to meet customer demand at peak times, decrease wait times and meet all customer service standards in a cost-effective manner. Our increased efficiency has delivered benefits across the board – for customers, employees, business partners and the environment.

For maximum customer ease, our service delivery model combines physical damage claims management, insurance sales, driver testing and licensing services at our Service Centre locations. There are eight locations in Winnipeg, with three conveniently located Service Centres offering extended hours on weekdays and service on Saturdays. We offer full service in nine

other communities: Arborg, Beausejour, Brandon, Dauphin, Portage la Prairie, Selkirk, Steinbach, Thompson and Winkler. Thanks to the strength of our employees and business partners, including our strong broker network, Manitobans tell us they have a positive customer service experience.

Our Contact Centre is open six days a week and handles about one million calls per year. We continue to make operational changes and enhance training to increase efficiency and service capacity for Manitobans.

- » **91 per cent of Manitobans who completed an Autopac or driver's licence transaction at either an Autopac agent or Service Centre say they were satisfied with the service they received.**
- » **About seven in 10 Manitobans say that Manitoba Public Insurance is doing a good job of having motivated, well-trained, service-oriented staff.**
- » **85 per cent of physical damage claimants say they were satisfied with the overall handling of their physical damage claim.**

“ *Our longstanding relationship with Manitoba Public Insurance means customers have access to Autopac products and services where and when they need them. Together, we provide outstanding customer service to all Manitobans.* ”

– Russell Wasnie, President, Insurance Brokers Association of Manitoba





## REMAINING ACCOUNTABLE THROUGH LOSS PREVENTION

At Manitoba Public Insurance, our customers' interests are at the heart of everything we do. As a Crown corporation, we remain accountable to Manitobans and strive to provide our customers with the highest value.

Our Loss Prevention Strategy and Framework brings all elements of loss prevention together, as each element contributes in different but complementary ways towards our overall goal of reduced claims and lower claims costs – savings that can be passed onto ratepayers through lower insurance premiums.

One key element is **auto theft prevention**. Auto thefts in Winnipeg have decreased by 83 per cent since 2004, and combined total and attempted thefts across the province have decreased by 80 per cent since 2006, thanks in part to the Corporation and our like-minded partners' auto theft initiatives.

**Fraud prevention** and **subrogation and recovery** are also important aspects of the Loss Prevention Strategy and Framework. In the 2014/15 fiscal year, our Special Investigations Unit saved \$7.7 million by pursuing fraudulent and suspicious claims, and our Special Accounts and Subrogation department recovered \$10.3 million in claims costs.

Increasing **road safety** also contributes to loss prevention and increased value for Manitobans. To realize our mission of "working with Manitobans to reduce risk on the road," we address vital road safety issues through education and awareness programs in cooperation with our partners and stakeholders. Our collaboration with the Manitoba Association of Chiefs of Police results in coordinated awareness

and enforcement efforts to combat key issues like distracted driving, impaired driving, speeding and improper use of occupant restraints. Also, we annually fund RoadWatch, an anti-drinking and driving program that combines increased law enforcement with an awareness campaign. We provide funding for enhanced enforcement to encourage safety in school zones and deter distracted driving, and we sponsor organizations that we partner with in pursuit of increased road safety – for more information on these sponsorships, see page 18. We have formalized priority setting, program development and program evaluation frameworks for road safety to ensure our efforts are targeting the right road safety issues with the right programs for measurable results.

“ *Improving safety on our roads requires both awareness and enforcement, a combination that would not be possible without our strong alliance with Manitoba Public Insurance.* ”

– Chief Devon Clunis, President,  
Manitoba Association of Chiefs of Police

In 2014, the Corporation launched an innovative new texting and driving simulator. The interactive simulator lets users experience the consequences of distracted driving in a risk-free environment. Users learn first-hand that in addition to being illegal, it is not possible to drive safely while texting. Also, with a focus on teens, we continued our Friends for Life speaker series, allowing new and future drivers to listen to dramatic first-hand accounts of the physical and emotional devastation caused by impaired driving.

Providing new drivers with a safe start through effective **driver education** is another aspect of loss prevention and reduced claims. We remain the proud sponsor of Manitoba's High School Driver Education Program, subsidizing the cost for more than 12,000 participants each year. The Corporation is currently in the midst of a multi-year redevelopment of the program, with the goal of further maximizing its effectiveness in producing knowledgeable and safe drivers. Following an in-depth global analysis of driver education programs, we are working to improve the program for Manitoba teen drivers by leveraging current technologies, learning concepts and delivery methods. This will include the piloting of technologies such as aftermarket collision-avoidance systems, text-blocking software and vehicle telematics that can be used to monitor student progress in acquiring safe driving habits. We will also identify opportunities to increase practice driving time through both conventional approaches and the use of simulators.



*Users experience the consequences of distracted driving in a risk-free environment with our interactive texting and driving simulator.*

Manitoba Public Insurance is also continuing efforts to improve driver training opportunities for remote residents and to tailor high quality, affordable driver education programs to Manitoba's growing immigrant and refugee populations and First Nations people. We remain committed to supporting the Citizens' Bridge program, a community organization that assists individuals seeking driver training and obtaining a driver's licence. Also, we launched new programs with the Immigrant and Refugee Community Organization of Manitoba to provide driver education to recent immigrants and refugees, and to support northern Manitoba citizens enrolled in provincially sponsored work training and placement programs in Thompson, Flin Flon and The Pas.

The Corporation also administers Manitoba's new **Winter Tire Program**, which provides low-interest financing to eligible Manitobans for the purchase of qualifying winter tires. Nearly 30,000 Manitobans have financed the purchase of their winter tires since the pilot project was introduced in the fall of 2014.

Other key elements of our Loss Prevention Strategy and Framework include the **Driver Safety Rating scale** and the **Basic Insurance Fleet Management Program**, which both recognize safe-driving behaviours, **programs administered under *The Drivers and Vehicles Act***, our **competitive lines of insurance** and **physical damage research and training**. For more information on our physical damage initiatives, see page 14.

“ *As a young driver, I want to stay safe on the road and keep those around me safe. The High School Driver Education Program gave me confidence, taught me the challenges and rules of the road and helped prepare me to focus on a lifetime of safe driving.* ”

– Santina Wozny,  
driver education student



## ENSURING SAFE, QUALITY REPAIRS

The auto repair industry is changing as more vehicles are being made with complex materials such as boron steel, aluminum and carbon fibre, instead of traditional steel.

These new materials are strong and lightweight, but cannot be repaired in the same way as traditional steel. This requires a commitment of additional resources on the part of repair shops, and Manitoba's robust collision repair trade is more than capable of meeting this challenge. As more vehicles are made with these complex materials, the repair industry is gearing up to meet this challenge by investing in additional training, tools, equipment and facilities to continue to undertake quality, safe and reliable repairs.

The Inter-Industry Conference on Auto Collision Repair, an international non-profit organization dedicated to training the collision repair industry, estimates that by 2016 the industry will see over 240 redesigns and new models from vehicle manufacturers. In addition to the use of more complex materials, manufacturers are also responding to consumer demand for more collision-avoidance technologies and other electronics.

At Manitoba Public Insurance, our mission of "working with Manitobans to reduce risk on the road" includes working with the repair industry to ensure safe, reliable and quality repairs for Manitoba drivers. We are working together to support repair shops with training and research through this transition, so that repairers can meet the challenges of increasingly complex vehicle design and construction, and continue to perform the quality repairs that help keep our roads safe. We will use our economies of scale to help ensure proper repairs for Manitobans by providing support

for skilled trades through the development and delivery of cost-effective training with the creation of an enhanced qualified research and training facility.

We also continue to contribute to a robust and sustainable repair industry through our financial incentives for registered apprentices, our sponsorship of Skills Manitoba, a non-profit organization that promotes the skilled trades and technology sectors, and an ongoing agreement with the Automotive Trades Association and the Manitoba Motor Dealers Association. We are also working with Original Equipment Manufacturers through the Global Automakers of Canada's Collision Repair Committee to stay abreast of advancements and share information with Manitoba's repair industry.

In collaboration with the repair industry, we are working to create a service and vehicle repair safety model that addresses the challenges of increasingly complex vehicle construction and parts procurement, changing customer expectations and a need to continue building a cohort of skilled technical staff throughout the repair trade. This includes our Physical Damage Re-engineering Program, a long-term initiative to streamline the physical damage claims process. Going forward, we will continue to ensure quality, safe and reliable repairs, contain costs wherever possible through the claims life cycle and work with the repair industry to ensure a superior customer service experience.



“ *Manitoba Public Insurance, the Manitoba Motor Dealers Association and other industry partners are working hard to continue to provide the high-quality repair services that all Manitobans expect.* ”

– Kent Ledingham, President, Manitoba Motor Dealers Association

“ *I see firsthand how committed Manitoba Public Insurance is to working together with the collision repair industry to prepare for the multitude of changes coming our way. They are dedicated to readying repair shops through training and research that will help our industry continue to prosper, while looking out for the consumer. Ensuring all Manitobans receive quality repairs when they need them is a goal the Automotive Trades Association and Manitoba Public Insurance share.* ”

– Ryan Kehl, Past-President, Automotive Trades Association — Manitoba

“ *Our recent four-year agreement, which represents a win/win proposition for all stakeholders, allows for a renewed spirit of cooperation between the insurer, Manitoba Public Insurance and the repair facilities which the Manitoba Commercial Vehicle Repair Association represent. Manitoba Public Insurance is clearly embracing the approach where working together for our common customers makes the transportation industry in Manitoba stronger.* ”

– Don Bailey, Chief Negotiator, Manitoba Commercial Vehicle Repair Association

## PREPARING FOR INDUSTRY CHANGE



**Aluminum** and composite materials start to become commonplace



Ford introduces **aluminum-body F-150 pickup truck**



**More than half of new cars sold** will not have a conventional gasoline engine (more will be turbocharged, hybrids or electric)



**Half of the Manitoba fleet** will represent vehicles with at least some complex materials

General Motors expected to introduce an aluminum body pickup



Vehicles with **urban autopilot** could be on the road



**Fully autonomous** vehicles could be on the road

**2010**

**2015**

**2017**

**2018**

**2022**

**2025**

Sources: Manitoba Public Insurance (2015),  
Navigant Research (2014), The Wall Street Journal (2015),  
The Boston Consulting Group (2015).



## SUPPORTING INJURED MANITOBANS THROUGH THE PERSONAL INJURY PROTECTION PLAN

Through the Personal Injury Protection Plan (PIPP), Manitoba Public Insurance, on behalf of the Province of Manitoba, administers comprehensive, world-class injury coverage to support Manitobans recovering from injuries sustained in vehicle collisions.

PIPP ensures that no Manitoban injured in an automobile collision anywhere in Canada and the United States is left without the required resources, that Autopac premiums remain stable, predictable and affordable, and that Manitobans are compensated adequately, fairly and promptly for their economic losses from automobile collisions.

As our service delivery model evolves, we continue to build injury-recovery best practices and enhance the delivery of PIPP to increase customer satisfaction and ensure quality of life. The Corporation will also continue considering innovative ways to assist catastrophically injured clients with their specific residency needs.

In 2014, work began on a shared care residence in Brandon, slated to open in 2015, which will provide long-term, permanent housing for traumatically brain-injured claimants.

“ *I have received great care from my case manager and Manitoba Public Insurance. They have helped me gain my quality of life back and they are there to help whenever I need. Also, they have helped me modify my first home, which is fantastic.* ”

– Jonathan Burzuik,  
injury claimant



- » 82 per cent of injury claimants say they were satisfied with their experience in dealing with Manitoba Public Insurance.
- » 81 per cent of injury claimants agree that the benefits they received were fair.
- » 83 per cent of injury claimants agree that Manitoba Public Insurance gave them what they were entitled to under the Personal Injury Protection Plan without having to ask for it.

# ENHANCING SAFETY AND WELL-BEING IN THE COMMUNITY

The social and economic well-being of our communities is extremely important to Manitoba Public Insurance and our employees.



We work with our partners across the province to support programs and initiatives that enhance Manitobans' quality of life and align with our mission of "working with Manitobans to reduce risk on the road."

Building on our loss prevention efforts (see page 12), two organizations we continue to work closely with in pursuit of increased road safety are MADD Canada and TADD Manitoba. We also sponsor SpeedWatch, the Citizens on Patrol Program, the School Safety Patrol Program and the Manitoba Child Car Seat Program, and we are the primary sponsor of Operation Red Nose. Through our partnerships with Brandon Transit and Winnipeg Transit, we offer free transit service on New Year's Eve through the Ride Free, Ride Safe Program. Manitoba Public Insurance is also a primary sponsor of the Transportation Options Network for Seniors, which provides community programming to inform and educate Manitobans about issues facing aging drivers and the transportation options within their communities.

To extend the reach of our mission, we support community organizations and initiatives including Bike to Work Day, Children's Rehabilitation Foundation, Downtown Winnipeg BIZ, Habitat for Humanity, Health Sciences Centre, Junior Achievement, Manito Ahbee, Manitoba Brain Injury Foundation, Rick Hansen Foundation, Riverview Health Centre Foundation, Special Olympics Manitoba, Skills Manitoba, Sport Manitoba, WE Day, Winnipeg Folk Festival, Winnipeg and Manitoba Crime Stoppers, and Winnipeg Pride Parade. Through this support, we contribute to the quality of life of Manitobans while promoting the Corporation's products and services and demonstrating our commitment to social responsibility.

During events at Investors Group Field, Manitoba Public Insurance allowed paid parking at a nearby Service Centre and donated the proceeds to a number of organizations including Big Brothers Big Sisters of Winnipeg, Inner City Youth Alive Inc., Kendra's Walk, Macdonald Youth Services, Ma Mawi Wi Chi Itata Centre, Manitoba Camping Association Sunshine Fund, Peaceful Village, Rossbrook House, Spence Neighborhood Association, The Dream Room Project, West Broadway Youth Outreach and YMCA-YWCA of Winnipeg. We also donated unclaimed Canadian Tire money from salvage vehicles to the Main Street Project. The Corporation also works with the Province of Manitoba to administer specialty licence plates, which have raised significant funds for affiliated charitable foundations and programs.

It doesn't end there. Our employees are proud to initiate and participate in fundraising and volunteer efforts for a number of community endeavours. In 2014, a record 73 per cent of staff contributed to our United Way workplace campaign, raising over \$378,000. Staff also contributed to, or volunteered their time with, a number of charitable and community organizations. These included Brush Up Winnipeg, the CEO Sleepout, the Christmas Cheer Board, Craig Street Cats, Earth Day, Habitat for Humanity, the Heart & Stroke Foundation, Immaculate Conception Drop-In Centre, Koats for Kids, the Manitoba Division of the Canadian Mental Health Association, the Manitoba Dragon Boat Festival, Operation Donation in support of Winnipeg Harvest, the Santa Claus Parade, WE Day, the Winnipeg Fire Paramedic Service Half Marathon and Winnipeg Pet Rescue Shelter.

***“ We were so impressed with the generosity, hard work and commitment our Manitoba Public Insurance coworkers put into the 2014 United Way Workplace Campaign. It goes to show what an awesome team of employees we are. Our outstanding combined effort is having, and will continue to have, a huge, positive impact on Manitobans. ”***

– Paul Sekhon and Steve Taylor, Co-chairs,  
2014 United Way Workplace Campaign




“ CAA Manitoba appreciates Manitoba Public Insurance’s continued support of the School Safety Patrol Program, which contributes to increased road safety for our children, as well as other pedestrians, cyclists and drivers, in communities across the province. ”

– Mike Mager, President, CAA Manitoba

“ MADD Brandon & Area strives to stop impaired driving and support victims of this violent crime. The efforts of Manitoba Public Insurance to keep our roads safe and support community organizations like ours are vital and speak to a high level of corporate citizenship. We are proud to count Manitoba Public Insurance among our partners in the fight to end impaired driving in our province. ”

– Nikki Boggs, President,  
MADD Brandon & Area



**MANAGEMENT  
DISCUSSION & ANALYSIS  
MD&A**

# CORPORATE PROFILE

## CORPORATE MISSION

Working with Manitobans to reduce risk on the road.

## CORPORATE VISION

Manitoba Public Insurance will be a leader in automobile insurance and driver services, providing Manitobans with guaranteed access to superior products, coverage and value. We will anticipate and meet the evolving needs of Manitobans. We are dedicated to offering province-wide accessibility and, in co-operation with our business partners, will perform at the highest attainable levels of economy, efficiency and effectiveness.

Manitoba Public Insurance will make our roadways and communities safer by enforcing standards for drivers and vehicles, by raising awareness of the inherent risk of driving and by investing in lasting solutions. We will develop education and awareness programs and controls that help and encourage Manitobans to acquire the knowledge and skills to avoid collisions.

Our people will deliver knowledgeable service with care, efficiency and justifiable pride, and will be appropriately recognized for their contributions in helping the Corporation achieve its goals. Manitoba Public Insurance will be one of the best and most inclusive places in the province to work and pursue a career, where people will deliver knowledgeable and caring services in new and innovative ways.

We will ensure Manitobans understand and support the unique contribution Manitoba Public Insurance makes to the province of Manitoba.

## CORPORATE VALUES

At Manitoba Public Insurance, we value:

### Our Customers

Our customers' interests are at the heart of everything we do. We balance the individual customer's needs with the needs of Manitobans as a whole. We base our relationships on respect, fairness, honesty and integrity. We safeguard the confidentiality of information and personal privacy. We are committed to the highest ethical standards and excellence in service.

### Our People

Our people are given the skills, tools and encouragement they need to succeed. We provide a respectful, inclusive and safe environment where our staff is well-trained, confident and committed to the Corporate Mission. We provide our people with clear and consistent direction. Our people have the authority they need to do their jobs, providing a sense of achievement from their work, and the opportunity for career growth and advancement. We encourage and support our people to make a positive contribution, both inside and outside the workplace.

### Working Together

We work co-operatively with each other and with our business associates, sharing expertise, ideas and resources. Each of us, in our daily work, creates a team environment, drawing on one another to do the best job possible. Our communication with one another is respectful, appropriate and helpful.

## Financial Responsibility

Manitoba Public Insurance holds the funds of its policyholders in trust to meet their needs into the future. We operate in a fiscally responsible and cost-effective manner, using investment income to reduce rates and provide long-term benefits to Manitobans.

## Excellence and Improvement

We constantly improve our products, services and procedures. As our customers' needs and the business environment continue to change, so must we. We value initiative, creativity and a strong desire for personal, team and corporate success in everything we do. We recognize and reward excellence and improvement in our work.

## Our Corporate Citizenship

We lead by example, conducting our affairs responsibly and professionally. We contribute to the social and economic well-being of our communities as well as the sustainable development of Manitoba now and into the future.

## SOCIAL AND ECONOMIC CONTRIBUTION

Through the Department of Finance, Manitoba Public Insurance invests in communities throughout Manitoba to the extent investment opportunities of acceptable risk and returns are available. The Corporation also contributes to community and economic development through its local purchasing power and as a major Manitoba employer.

Manitoba Public Insurance has taken a proactive role in identifying and investing in lasting solutions to community safety issues related to vehicles. As a major partner in our communities, the Corporation also supports local charities and non-profit organizations to enhance the quality of life for Manitobans. It is with an eye to future generations and the health of our communities and province that Manitoba Public Insurance ensures its business and purchasing practices, as well as its operations, are in keeping with the principles of sustainable development.

## THE CORPORATION'S SERVICE DELIVERY MODEL

Manitoba Public Insurance was created in 1971 with the primary purpose of administering the Basic compulsory, universally available auto insurance program. From the beginning, Basic insurance was charged to both vehicle owners and drivers in an integrated manner, along with vehicle registration and driver licensing. Said another way, registration and insurance have been inextricably linked on both driver's licences and vehicle registration since 1971.

This integration of licensing and insurance is one of the greatest advantages of our public insurance system. It significantly reduces the likelihood of uninsured drivers on the road by ensuring that all licensed drivers are insured drivers and all registered vehicles are insured vehicles.

From 1971 until the Division of Driver and Vehicle Licensing (DDVL) merged with the Corporation in 2004, work effort and responsibility were shared in the following manner:

- » Manitoba Public Insurance administered vehicle registration and insurance processing.
- » DDVL administered driver licensing and insurance.

In 2004, the government merged the operations of the former DDVL (which was a division of the Ministry of Transportation) and Manitoba Public Insurance, and the Corporation became responsible for the administration of *The Drivers and Vehicles Act*.

The government's stated objectives for the 2004 merger were to:

- » improve customer service
- » save costs and become more efficient by reducing overlap and duplication
- » create a new model for meeting the licensing, registration and insurance needs of Manitobans

The Corporation's chosen approach to achieving the third objective was to enhance its customer-centric service model and create a truly holistic approach to serving Manitobans. The Board of Directors took the view that not only was this an opportunity to improve service significantly, but a responsibility to enhance value to Manitobans to the maximum extent possible. A portion of excess retained earnings from non-Basic lines of business was set aside beginning in 2007 for this purpose. A total of \$91.7 million had been set aside and the fund has since been closed.

Today, the Corporation, its staff and business partners are available to serve Manitobans where and when they need us, and we have significantly reduced unnecessary or lower value interactions. This new model would not have been possible without the merger and is clearly a leading practice in delivering customer service.

## Broker Network

Independent insurance brokers are the main conduit for selling and renewing Autopac insurance as well as issuing and renewing driver's licences. Brokers are also responsible for registration for driver education and scheduling of driver testing appointments.

Customers have responded very favourably to the service provided by our brokers. In general, 92 per cent of Autopac and driver's licence customers were satisfied with the overall level of service they received at a broker's office. More specifically, last year 94 per cent of customers said they received prompt service while at a broker's office, 90 per cent of customers responded positively when asked if their account transactions are processed promptly and 97 per cent said brokers treated them courteously and politely.

The Corporation's strong partnership with our broker network is a vital component of our service delivery model and enhances the value provided to our customers across the province.

## Service Centres

Our Service Centres conveniently offer a full range of services in one location, including registration, licensing and insurance services, physical damage and bodily injury claims management, driver testing and vehicle standards and inspection. There are Service Centres in 10 communities across the province – Arborg, Beausejour, Brandon, Dauphin, Portage la Prairie, Selkirk, Steinbach, Thompson and Winkler, and at eight locations in Winnipeg.

Last year, the Corporation completed the latest improvement in our ongoing efforts to enhance the customer experience under the Service Centre model with the expansion and renovation of our Portage la Prairie location. This state-of-the-art facility, which allowed for the closure of the last stand-alone Driver and Vehicle Licensing office in the province, will better meet the changing needs of Manitobans now and into the future while furthering our commitment to be more operationally and financially responsible. With this final expansion complete, all of our Service Centres now align with the Service Centre model, helping to ensure a consistent level of service at all of our locations.



# CORPORATE GOVERNANCE

## RESPONSIBILITIES OF THE BOARD

Manitoba Public Insurance was created by an act of the Legislature to achieve the Corporation's founding principles. The Corporation's Board of Directors, appointed by the Government of Manitoba, ensures that corporate policies are consistent with its public policy mandate. The Board is also responsible for policy development and approval, and provides oversight and monitoring. Currently, the Board has nine members. The president and chief executive officer is an ex-officio member of the Board and the Board Committees. Further duties, obligations and responsibilities of the Board of Directors are prescribed by *The Crown Corporations Public Review and Accountability Act*.

The Corporation has a comprehensive annual strategic planning process. The Board approves a five-year strategic plan.

Under the provisions of *The Manitoba Public Insurance Corporation Act*, the Board chairperson is required to provide the Minister Responsible for Manitoba Public Insurance with an annual report, which is subsequently reviewed by the Standing Committee of the Legislature. Additional oversight is provided by the Crown Corporations Council, a body given legislative authority to conduct a mandate and strategy review of provincial Crown corporations. The Public Utilities Board approves Basic Autopac insurance rates.

## WHISTLEBLOWER REPORT

The Corporation established an anonymous and confidential Whistleblower Hotline system for the receipt, retention and treatment of complaints about potentially unlawful or injurious to the public interest activities, suspected fraud or financial mismanagement by employees. It is fully compliant with *The Public Interest Disclosure (Whistleblower Protection) Act*.

As these matters are of paramount concern to the Board of Directors and senior management, the Corporation has retained the services of an independent third party to administer the Whistleblower Hotline, receive complaints and provide reports directly to the chair of the Audit Committee, the corporate general counsel and the manager of Internal Audit – recognizing that employees will be more likely to submit reports if they have a direct channel open to them with which they are comfortable.

Furthermore, it is the policy of the Corporation to ensure there are no reprisals against any employee for accessing the Whistleblower Hotline and making a report, should the identity of the reporting employee become known despite stringent provisions for confidentiality. The purpose of the policy is to discipline those responsible, not to discipline those who report such abuses.

No reports were submitted to the Whistleblower Hotline during the fiscal period March 1, 2014 to February 28, 2015.

## FAIR PRACTICES OFFICE

Our public auto insurance system strives for continuous improvement in all aspects of its operation, particularly those aimed at ensuring fair and appropriate service to customers. With that goal in mind, the Fair Practices Office (FPO) was created in 1999. The FPO is a means for customers and other interested parties to bring issues of a systemic nature to the attention of the Corporation.

The FPO generally deals with concerns related to corporate policy, or issues involving complex or unusual situations where the correct interpretation of policy may seem unclear. The FPO may initiate its own investigations or respond to inquiries referred by others. It is free to scrutinize the Corporation's policies and procedures in an objective and constructive manner.

The FPO reports its observations directly to the president and chief executive officer. It can make recommendations about an operational decision on a specific case(s) and alert senior management of any systemic concerns or policies that should be addressed.

Many of these matters are referred to the FPO by the provincial ombudsman, staff and customers. Inquiries of a systemic or policy nature may also be referred by the Customer Relations unit, which deals primarily with individual customers.

The number of inquiries increased last year, reversing a downward trend. Last year, the FPO handled 170 inquiries, up from 131 the previous year. The Corporation continues to improve processes for handling escalating concerns and for identifying duplicate inquiries.

### 2014 Fair Practices Office Results

In the 2014/15 fiscal year, the FPO received 170 documented inquiries from the following referral sources:

<b>Customer</b>	»	<b>29</b>
<b>Formal Ombudsman inquiries</b>	»	<b>4</b>
<b>Informal Ombudsman inquiries</b>	»	<b>124</b>
<b>Internal referrals</b>	»	<b>13</b>



The FPO recommended the Corporation revise its decision in 21 situations or about 12.4 per cent of the cases it reviewed.

## COMPLIANCE TO LEGISLATIVE AUTHORITY: SUSTAINABLE DEVELOPMENT ACT

In accordance with Section 14 of *The Manitoba Sustainable Development Act* (1997), the Corporation did not experience any environmental incidents between March 1, 2014, and February 28, 2015.

The Corporation has a sustainable development program including policies and guidelines to reduce the environmental impact of the Corporation and its business partners. Highlights of this program are outlined as follows.

### Fleet Vehicle Management

The Corporation has a fuel-efficient vehicle fleet highlighted by a large percentage of hybrid and fuel-efficient four-cylinder engine vehicles. Average fuel efficiency for the regular fleet was down slightly from 11.2 litres/100 km to 11.6 litres/100 km in the last year.

### Facilities Management

The Corporation continues to apply sustainable practices in the construction and operation of its facilities including certifying buildings to accepted environmental standards.

- » LEED (Leadership in Energy and Environmental Design) Certification for New Construction: one gold certification, two silver certifications and one certification pending
- » BOMA (Building Owners and Managers Association) BEST: nine certified
- » Green Globes: four certified

All of the Corporation's newest Service Centres meet these standards.

In older buildings, the Corporation pursues sustainable upgrades during lifecycle replacement or major renovations by adding features found in its newer buildings including:

### Heating, Ventilating and Air Conditioning (HVAC)

- » digital control and integration of major HVAC components
- » high-efficiency components (boilers, roof-top units, heaters)
- » geothermal heat pumps that utilize ground temperature to heat and cool the building
- » glycol heat recovery systems to reuse exhaust heat within the building
- » variable speed motors in HVAC components to conserve electricity
- » air quality sensors to control the amount of fresh air brought into the building
- » under-floor heat distribution

### Electrical Conservation

- » design elements (reflective light shelves, clerestory windows, skylights in garages) in newer facilities make better use of natural light and reduce the need for artificial lighting
- » sensor-controlled lighting uses occupancy and natural light sensors to control light fixture output
- » conversion of older incandescent lighting used in garages and outside buildings to more efficient compact fluorescent, T5 fluorescent and halogen lighting
- » high-efficiency hot water tanks
- » temperature sensitive block heater plugs
- » LED exit lights, handheld estimating lights and interior office lighting

### Water Conservation

- » low-flow toilets and fixtures
- » waterless urinals
- » sensor-controlled bathroom fixtures

## Environmental Testing

The Corporation undertakes environmental testing to ensure that environmental risks are detected and managed.

### Testing

### Results (2014/15)

New properties to identify environmental issues	»	No contamination detected.
Well water quality at those sites where a well is used	»	Testing showed no signs of E. coli or coliform.
Runoff water and sediments for vehicle-related contaminants	»	Testing showed very low levels of contaminants, all within acceptable levels.
Waste audits to evaluate recycling success and opportunities	»	Improved results unchanged from the previous year.

## Recycling and the Use of Recycled Goods

The Corporation has programs to divert waste into reusable forms and promotes the use of materials with recycled content.

Results (2014/15)	Activity
28,406	» salvage vehicles were sold to automobile recyclers and the public to be rebuilt or used for replacement parts
17,835	» salvage vehicles had freon extracted from the vehicle air conditioning system
757	» pre-1995 vehicles were sold for scrap
<b>Recycled Materials</b>	
174	» computers and related devices
189.5	» tonnes of paper, cardboard, plastic and metal containers
64,119	» recycled parts available for use in claims repairs
140	» kilograms of batteries and electronics

## CORPORATE GOALS, STRATEGIES AND MEASURES

Manitoba Public Insurance's Goals, Strategies and Measures are as follows:




### GOAL 1

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

### STRATEGIES

- 1.1 Basic automobile insurance – to ensure that the Basic, compulsory program meets the needs of Manitoba motorists for affordable, accessible and comprehensive coverage.
- 1.2 To keep all controllable costs at their lowest possible level through loss prevention and cost containment strategies.
- 1.3 To improve the efficiency and convenience of Manitoba Public Insurance's distribution and service network by reducing or eliminating low value transactions.
- 1.4 To the maximum extent possible, leverage synergies offered by strategic partners that are mutually beneficial, improve customer service and reduce costs.
- 1.5 To increase the percentage of revenue derived from investment income while remaining within acceptable investment risk profiles.
- 1.6 To create and maintain an information technology environment that is efficient, adaptable, expandable and current to capitalize on opportunities. We will use economies of scale, new technology and existing capabilities to improve customer service and control costs.
- 1.7 We will develop systems that leverage technologies and processes across divisions providing the greatest corporate benefit possible.
- 1.8 To maintain the Basic Insurance Rate Stabilization Reserve to protect vehicle owners from significant rate increases caused by unexpected events and losses resulting from non-recurring events or factors.

## RATE COMPARISON CHART

MEASURES	 <b>21-YEAR-OLD MALE</b> Claims and conviction free	 <b>35-YEAR-OLD COUPLE</b> Both claims and conviction free	 <b>40-YEAR-OLD COUPLE</b> Both claims and conviction free <b>16-YEAR-OLD SON</b> Claims and conviction free
2015 rates based on: 2010 Dodge Grand Caravan SE, \$500 all-perils deductible, \$2 million third-party liability			
<b>WINNIPEG</b>	<b>\$1,414</b>	<b>\$1,120</b>	<b>\$1,165</b>
<b>CALGARY</b>	\$3,126	\$1,448	\$2,231
<b>TORONTO</b>	\$7,340	\$3,718	\$6,652

Notes: 1. The 2010 Dodge Grand Caravan SE is the most common passenger vehicle registered in Manitoba.  
2. Manitobans will pay less for their automobile insurance in 2015 than most major Canadian cities.

## GOAL 2

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

### STRATEGIES

- 2.1 To maintain claims expense per reported claim at a maximum of 50 per cent of industry average.
- 2.2 To break even over the long term on Basic automobile insurance.
- 2.3 To use investment income to reduce the average premium paid by Manitobans.

### MEASURES



## GOAL 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service. The Corporation will utilize technology to provide products and services that will enhance the value it delivers to Manitobans.

### STRATEGIES

- 3.1 To ensure Manitobans receive understandable information on Manitoba Public Insurance products, entitlements, services and service standards. The Corporation will adopt a strategy that ensures information reaches the appropriate target groups at appropriate times.
- 3.2 Autopac Extension – to be profitable by providing products and services that continue to recognize the changing needs of our customers and continue to successfully achieve high levels of customer satisfaction through strategic pricing, accessibility and convenience. To mitigate risk through appropriate product design and automated underwriting techniques.
- 3.3 Special Risk Extension – to be profitable by responding to the variable and specialized needs of our commercial customers and providing personalized auto-related insurance products that cannot be met by the universal, compulsory program or by the automobile extension program. To partner with customers in pursuing fleet safety and loss prevention initiatives. To provide Manitobans with a stable market choice that promotes long-term partnerships.

- 3.4 To use our economies of scale to help ensure safe, quality, reliable repairs for Manitobans by providing support for skilled trades through the development and delivery of cost-effective training.
- 3.5 To leverage our service delivery model to meet customer expectations, increasing accessibility and convenience.
- 3.6 To expand the value that the Corporation provides Manitobans by capitalizing on the effectiveness of its technology and distribution channels to develop innovative solutions that benefit its customers in a cost-effective manner.
- 3.7 To improve the service relationship between drivers and vehicle owners and the Corporation by modernizing business processes and ensuring all aspects of driver risk rating are consistent, clear and fair.

### MEASURES



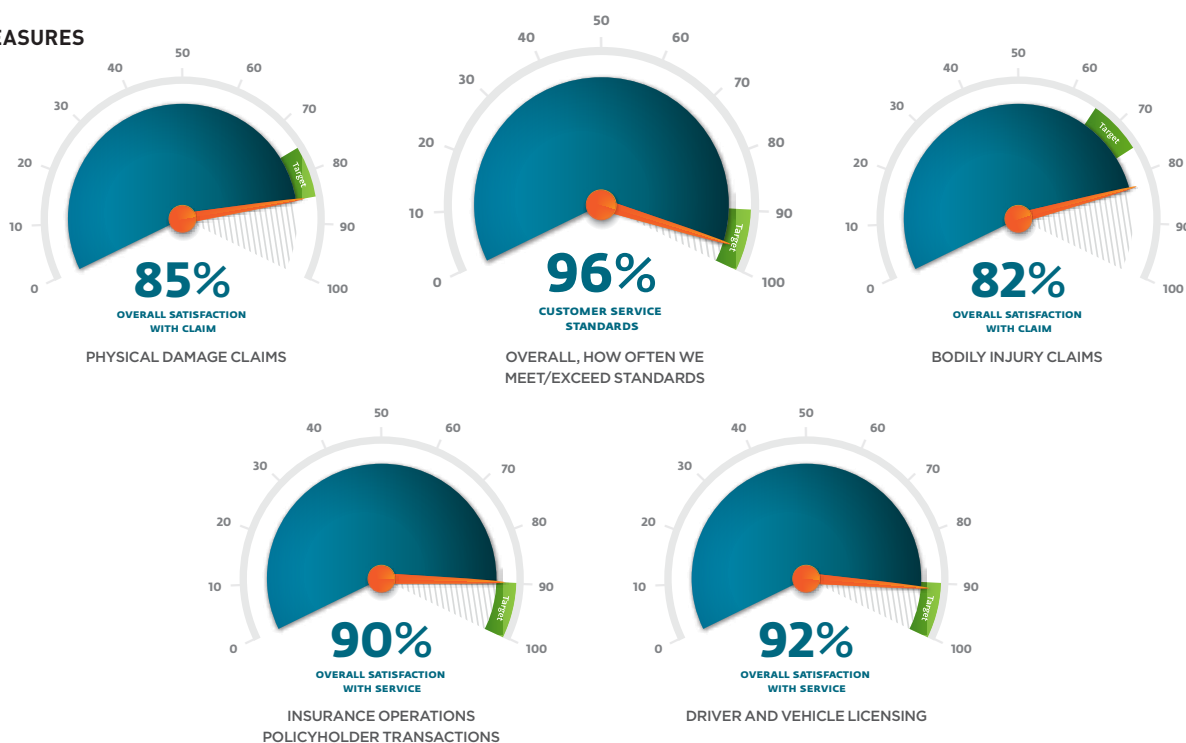
## GOAL 4

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

### STRATEGIES

- 4.1 To enhance a customer-centric service philosophy.
- 4.2 To create, publish and comply with comprehensive customer service standards for ourselves, brokers, business associates and service providers who are in contact with our customers.
- 4.3 To promptly address and respond to legitimate concerns expressed by our customers. To provide internal and external appeal mechanisms.

### MEASURES



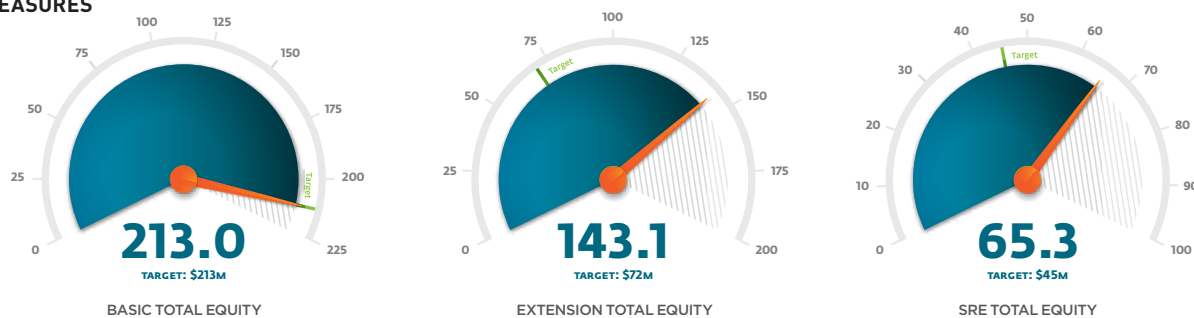
## GOAL 5

Total equity will be maintained within established target levels.

### STRATEGIES

- 5.1 To maintain financial stability by setting appropriate premium rates, strengthening investment income and maintaining total equity within established target levels.
- 5.2 To continuously identify and assess the likelihood and magnitude of potential risks and act explicitly to avoid and mitigate such risks.
- 5.3 To develop business strategies to ensure competitive lines of business are profitable and contribute to the benefit of all Manitobans.
- 5.4 To assess corporate financial risk in keeping with industry standards and establish appropriate total equity target levels for each line of business.

### MEASURES



## GOAL 6

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

### STRATEGIES

- 6.1 To build a culture of greater collaboration, accountability and innovation.
- 6.2 To foster a culture that attracts and retains a diverse workforce.
- 6.3 To continue to provide clear direction and foster a management style that reflects our values and supports employee commitment to the organization.
- 6.4 To use change management strategies that ensure communication, education and employee training support and facilitate business change.
- 6.5 To ensure employees are provided with effective, informative and timely two-way communication.

### MEASURES



## GOAL 7

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

### STRATEGIES

- 7.1 To develop an evidence-based road safety strategy with an aim to reduce automobile collisions, using a multi-faceted approach.
- 7.2 To ensure Manitoba drivers meet and continue to maintain established standards of knowledge, skill and behaviour to gain access to Manitoba roads.
- 7.3 To reduce risk on the road by working with and supporting the vehicle repair industry to ensure safe, quality and reliable repairs for Manitobans.
- 7.4 To ensure vehicles and vehicle repairs meet provincial mechanical standards and repairs are made according to the latest best practices.
- 7.5 To develop strategies and initiatives that support continuous vehicle and driver performance monitoring to ensure Manitoba roads remain safe for everyone.
- 7.6 To continue to provide a clear and understandable Driver Safety Rating program, which rewards safe drivers and motivates higher-risk drivers to improve their driving behaviour through insurance rates that reflect the risk they represent on the road.
- 7.7 To enhance road safety research and awareness activities, fine-tune and target advertising campaigns, and explore innovative ways to reach Manitobans with road safety messaging by leveraging the latest technologies.
- 7.8 To partner with community groups across Manitoba supporting community-based initiatives that increase road safety awareness and education opportunities.

### MEASURES



# RESULTS OF OPERATIONS

## CORPORATE

During the reporting period, for every dollar of revenue earned, the Corporation provided Manitobans with 94 cents in claims benefits. Operating, including regulatory and appeal expenses, accounted for 12 cents of every dollar of revenue earned while broker commissions and premium taxes cost 10 cents. This resulted in an underwriting loss of 16 cents, which was offset by investment income equal to 21 cents per dollar of revenue. The Corporation's net income was 5 cents for every dollar of revenue earned during the year.

### Current Year and Last Year

In 2014/15, the Corporation had a net income of \$57.6 million, \$102.4 million better than the previous year. The \$51.4 million increase in underwriting results is due primarily to a \$44.9 million increase in earned revenues. The net income was also positively affected by a \$51.0 million increase in investment income compared to last year.

### Revenue

In 2014/15, total earned revenues increased to \$1.1 billion, an increase of 4.4 per cent from 2013/14.

Total earned revenues include \$27.9 million received from the Province of Manitoba as part of the agreement for providing services related to *The Drivers and Vehicles Act* operations.

## Claims Costs

Beginning in 2005, a new reserving method was implemented for older open Personal Injury Protection Plan (PIPP) claims files. There are now nine years of development observations under this process of reserving for open claims with continuing periodic payments. These observations have shown relative consistency in the periodic claim development patterns since the introduction of the new process in 2005.

In 2014/15, the Corporation's overall claims costs decreased by \$16.4 million to \$992.9 million compared to 2013/14. The decrease was mostly driven by claims incurred of \$844.9 million, which is \$16.2 million lower than last year. Of this amount, injury claims incurred increased by \$65.0 million while physical damage claims decreased by \$81.2 million. The total number of claims filed decreased by 14,497 from 287,741 in 2013/14 to 273,244 in 2014/15.

The \$65.0 million increase in injury claims incurred is mainly due to a \$120.6 million increase in injury claim liabilities resulted from a lower interest rate assumption used in discounting these liabilities and a \$27.1 million unfavourable claims development, offset by a \$82.7 million lower net severity and volume of injury claims.

The \$81.2 million decrease in physical damage claims was attributed to an decrease in collision claims by 15,030 claims or 8.9 per cent from 168,524 claims last year to 153,494 claims this year. As well, total severity of physical damage claims decreased \$17.0 million in 2014/15.

## Where Your Premium Dollar Has Gone

Total Claims Costs	\$ 0.94	}	<b>TOTAL EARNED REVENUES</b>	<b>\$ 1.00</b>
Operating & Regulatory / Appeal Expense	\$ 0.12		<b>- TOTAL CLAIMS AND EXPENSES</b>	<b>\$ 1.16</b>
Broker Commissions	\$ 0.07		= UNDERWRITING LOSS	\$ (0.16)
Premium Taxes	\$ 0.03		+ INVESTMENT INCOME	\$ 0.21
			= NET INCOME	\$ 0.05

## Climate Change

For Manitoba, climate change continues to be synonymous with increasing and unpredictable levels of flooding, fires and severe weather conditions, including snowstorms and hailstorms.

For 25 years, from 1971 to 1996, the Corporation did not experience any significant claims costs related to hail damage requiring reinsurance recovery. However, since 1996, the once stable and consistent weather pattern has changed, resulting in the Corporation making four reinsurance claims following severe hailstorms.

In 2014/15, we did not see any one significant hailstorm requiring reinsurance recovery, but claims resulting from hailstorms contributed \$13.8 million to the Corporation's overall claims costs. In 2013/14, the Corporation incurred \$23.5 million related to hail claims. There were significantly fewer hailstorms in 2014/15 than in recent years.

We will continue to monitor carefully and respond to future projections, which call for a continued trend in unpredictable and variable weather patterns.

## Expenses

Total corporate expenses increased to \$233.4 million, up \$9.7 million from last year. This increase was due primarily to amortization of previously incurred costs associated with the implementation of Information Technology Optimization projects including Disaster Recovery and a new Human Resource Management System. Additionally, Commissions and Premium Taxes also increased as they are reflective of the increase in Premiums.

Operating costs are allocated to Basic, Extension, Special Risk Extension and *The Drivers and Vehicles Act* Operations (lines of business) representing their share of common costs such as compensation of common departments (Human Resources, Finance, Fair Practice Office, Enterprise Systems Support and IT Support) that support the four lines of business. Costs are allocated through a formal and structured allocation policy developed in 2011. The external auditors have accepted the policy and, for Basic Autopac rate-setting purposes, the Public Utilities Board has approved its use. Effectively, the Corporation's integrated service delivery model ensures that the cost of providing these services is lower than if each were operated on a stand-alone basis.

## Investment Income

Total investment income, net of impairments and investment management fees, rose to \$226.1 million compared to \$175.1 million last year, an increase of 29.1 per cent. The \$51.0 million improvement is primarily due to declining interest rates causing a higher than expected gain to the bond portfolio (\$125.8 million). Increases were also realized in dividend income of \$12.8 million offset by lower income from equities (\$85.1 million) and real estate (\$8.7 million). Please refer to Note 6 of the Condensed Financial Statements for a breakdown of investment income by type of investment.

The Minister of Finance is responsible for investing the money that Manitoba Public Insurance sets aside for future claims payments and other liabilities. Investment income reduces rates that would otherwise be payable by policyholders. The total fair value of the Corporation's investment portfolio was \$2.6 billion at February 28, 2015, an increase of 6.4 per cent or \$155.6 million from the previous year. The bond portfolio, which accounts for 65.6 per cent of the investment portfolio, is primarily invested in two types of bonds:

- » Marketable bonds, mainly issued by the governments of Manitoba and other provinces, including floating rate notes (42.3 per cent of the total portfolio market value).
- » Non-marketable bonds issued by Manitoba municipalities, hospitals and school divisions, purchased through the Manitoba Department of Finance (23.3 per cent of the total portfolio).

The Minister of Finance through his government department has selected three external investment managers to administer Manitoba Public Insurance's Canadian equity portfolio, which represents 13.3 per cent of the total investment portfolio. The Corporation also has 6.7 per cent of its portfolio in United States equities with exposure to the U.S. equity market through two exchange traded funds. Cash and cash equivalents account for 2.7 per cent of the investment fund; investment in three infrastructure holdings accounts for 2.2 per cent of investments and pooled real estate funds account for 7.9 per cent while directly held real estate investments account for 1.6 per cent of the investment portfolio.

The total portfolio, on a market value basis, had a 10.4 per cent return during the fiscal year. Marketable bonds returned 14.5 per cent, non-marketable bonds 5.0 per cent and floating rate notes 1.7 per cent. The total Canadian equity portfolio earned 7.8 per cent, while large cap Canadian equities returned 8.9 per cent and small cap Canadian equities returned 1.8 per cent. U.S. equities returned 25.7 per cent in Canadian dollars. Over a four-year period, the investment portfolio has achieved an annualized return of 8.0 per cent.

## BASIC

### Current Year and Last Year

In 2014/15, Basic insurance had a net income from annual operations of \$2.4 million, \$71.6 million better than last year. The \$30.9 million increase in underwriting results, primarily due to a \$38.3 million increase in earned revenues and decrease in total claims costs of \$1.0 million was offset by a increase in total expenses of \$8.4 million. Basic's share of investment income was \$40.7 million higher to last year.

### Revenue

The number of policies in force at year end increased to 1,045,281 from 1,026,164. Total earned revenues increased by a net \$38.3 million to \$823.4 million, compared to last year.

### Claims Costs

Total claims costs decreased to \$873.8 million, \$1.0 million lower compared to last year. The change in claims costs is comprised of a \$75.5 million increase in injury claims incurred, a \$77.1 million decrease in physical damage claims incurred and a \$0.6 million increase in claims expense.

Injury claims incurred increased by \$75.5 million due to higher than expected claims development costs and rising interest rates, which led to an increase in injury claim liabilities. The number of injury claims decreased by 6.8 per cent from 17,367 to 16,193.

Physical damage claims incurred were lower compared to last year, decreasing by \$77.1 million. The decrease in the number of collision claims reduced collision claims incurred to \$314.9 million, a \$59.2 million decrease from last year. Total severity for Basic physical damage claims decreased \$7.8 million in 2014/15.



## Injury Claims

Years Ended February 28/29

Type of Claim	2015	2014	2013	2012	2011
Fatal*	92	118	110	141	115
Brain Injury	171	178	246	276	146
Quadriplegic	4	1	2	6	2
Paraplegic	4	2	2	1	1
Broken Bones	686	707	771	849	705
Sprains and Strains	7177	5669	4821	3980	3198
Whiplash	5071	9018	9249	8646	10735
Bruising/Lacerations	1161	953	975	1072	1366
Other	1,827	721	934	1,624	918
<b>Total</b>	<b>16,193</b>	<b>17,367</b>	<b>17,110</b>	<b>16,595</b>	<b>17,186</b>

\* Fatal includes PIPP, non-PIPP and those still under investigation as at February 28/29. Prior years have been restated.

## Expenses

Basic expenses increased from \$127.1 last year to \$135.6 million. The increase was primarily due to higher costs associated with amortization of projects and commissions and premiums taxes relating to the increase in Premiums.

## Investment Income

Basic's share of corporate investment income was \$188.4 million, net of impairments and investment management fees. This was an increase of \$40.7 million or 27.6 per cent compared to last year, attributable mainly to increased gains on bond investments.

## Total Equity

Net income for the Basic line of business for 2014/15 increased retained earnings from \$99.9 million to \$102.3 million. Combined with the Accumulated Other Comprehensive Income, the Basic total equity was \$137.6 million. As per the Risk Management section, 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. The Corporation transferred \$75.5 million to Basic retained earnings from the Extension line of business. This transfer results in an ending retained earnings for Basic of \$177.8 million and total equity of \$213.0 million to support rate stabilization.

Years Ended February 28/29

Basic Autopac - Five Year Statistics (\$000)	2015	2014	2013 <sup>(1)</sup>	2012	2011
Premiums written	824,865	784,741	746,044	779,953	759,552
Claims incurred	745,837	747,435	661,288	612,037	333,071
Claims expense	116,578	114,552	108,587	109,760	97,182
Other expenses	146,953	139,964	140,794	137,669	137,976
Net income (loss)	2,440	(69,162)	(63,103)	22,278	283,855
Net income (loss) after surplus distribution	2,440	(69,162)	(63,103)	8,158	(37,823)

<sup>(1)</sup> Restated for the impact of IAS 19R

## EXTENSION

### Current Year and Last Year

Extension insurance reported net income of \$43.2 million compared to \$31.1 million the previous year. The \$12.1 million increase in net income was due to a \$6.5 million increase in Extension's underwriting results, and by a \$5.6 million increase in Extension's share of investment income.

### Revenue

Earned revenues from the sale of Extension products increased by \$3.1 million to \$144.8 million compared to last year. All products, including the sale of coverage for third-party liability and deductible buy down contributed to the increase.

### Claims Costs

Total claims costs – including claims benefits, claims handling, loss prevention and road safety expenses – decreased \$4.1 million to \$69.1 million. Physical damage claims incurred decreased by \$2.9 million or 4.8 per cent. Injury claims incurred decreased \$0.8 million, due primarily to decreased severity. Claims expenses were lower than last year by \$0.4 million.

## Expenses

Expenses related to the sale of Extension products was \$50.4 million, an increase of \$0.7 million from the previous year. This increase was primarily due to a increase in commissions of \$0.8 million offset by a decrease in operating costs of \$0.1 million.

## Investment Income

Extension's share of corporate investment income of \$17.9 million, net of impairments and investment management fees, was \$5.6 million higher than last year.

## Retained Earnings

Extension's total retained earnings are comprised of retained earnings from the sale of Extension products. As at February 28, 2015, Extension retained earnings totaled \$130.2 million compared to \$162.6 million the previous year. Extension retained earnings decreased by \$75.5 million as a result of the transfer to the Basic retained earnings. Extension's current capital target level for total equity is \$72.0 million based on the 2014 Extension MCT report.

Years Ended February 28/29

<b>Extension - Five Year Statistics (\$000)</b>	<b>2015</b>	2014	2013 <sup>(1)</sup>	2012	2011
Premiums written	<b>138,667</b>	134,470	133,477	126,300	121,118
Claims incurred	<b>56,443</b>	60,052	56,953	50,991	57,259
Claims expense	<b>11,749</b>	11,974	12,505	16,505	9,990
Other expenses	<b>51,363</b>	50,843	47,183	48,540	39,250
Net income (loss)	<b>43,134</b>	31,125	28,724	21,837	25,199

<sup>(1)</sup> Restated for the impact of IAS 19R

## SPECIAL RISK EXTENSION

### Current Year and Last Year

Special Risk Extension (SRE) insurance reported a net income of \$10.8 million, a increase of \$17.7 million from the previous year. The improvement is due to a \$14.2 million increase in underwriting results, ensuing from increased premiums of \$3.8 million and \$11.3 million in lower claims costs, offset by an increase of \$1.0 million in commissions, premium taxes and operating costs. An increase in investment income of \$3.5 million also contributed to SRE's higher net income.

### Revenue

Total earned revenues in 2014/15 were \$61.2 million compared to \$57.3 million the previous year. The sale of SRE products, which include large trucking companies' liability, cargo and physical damage coverage, showed a growth of 6.8 per cent compared to last year.

### Claims Costs

Total claims costs decreased from \$61.3 million in 2013/14 to \$50.0 million in 2014/15. Injury claims decreased \$9.8 million.

Physical damage claims incurred decreased by 6.0 per cent compared to the previous year, a change of \$1.3 million. Claims expense and loss prevention and road safety costs decreased by \$0.2 million from the previous year.

### Expenses

SRE's expenses increased to \$15.2 million from \$14.2 million, due to an increase in operating costs of \$0.3 million and commissions and premium taxes increase of \$0.7 million.

### Investment Income

SRE's share of corporate investment income, net of impairments and investment management fees, reflected an increase of \$3.5 million compared to last year to \$14.8 million.

### Retained Earnings

SRE's retained earnings are derived from the annual operations of the SRE line of business. SRE's retained earnings were \$62.2 million as at February 28, 2015, compared to \$51.4 million last year. SRE's current capital target level for total equity is \$45.0 million based on the 2014 SRE MCT report.

Years Ended February 28/29

<b>SRE - Five Year Statistics (\$000)</b>	<b>2015</b>	2014	2013 <sup>(1)</sup>	2012	2011
Premiums written	<b>63,022</b>	58,781	56,750	53,287	49,054
Claims incurred	<b>42,596</b>	53,650	28,241	38,822	28,080
Claims expense	<b>5,920</b>	6,037	5,756	6,060	3,685
Other expenses	<b>16,645</b>	14,199	16,558	14,489	11,519
Net income (loss)	<b>10,768</b>	(6,928)	10,361	(2,192)	10,416

<sup>(1)</sup> Restated for the impact of IAS 19R

## THE DRIVERS AND VEHICLES ACT OPERATIONS

### Current Year and Last Year

The *Drivers and Vehicles Act* (DVA) operations experienced a net income of \$1.2 million in 2014/15 compared to a net income of \$0.1 million last year.

### Revenue

The government provides funding to the Corporation that covers the cost of the DVA administrative operation. In 2014/15, the Corporation received \$27.9 million from the Province of Manitoba and reported \$0.5 million in service fees and other revenue, resulting in overall revenue being \$0.4 million lower than the previous year.

### Expenses

DVA operations' expenses of \$32.2 million were down \$0.3 million from last year's expenses of \$32.5 million due to DVA's share of allocated costs.

### Investment Income

DVA operations' portion of corporate investment income, net of investment management fees and impairments, increased to \$5.0 million, \$1.2 million higher compared to last year.

### Retained Earnings

Extension and SRE retained earnings were transferred to create the Extension Development Fund (EDF) which was primarily set up to support the projects undertaken to maximize the opportunities presented by the 2004 merger of the Corporation and the Division of Driver and Vehicle Licensing. From EDF funding, DVA operations benefited by \$79.5 million including \$14.0 million for the implementation of the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's Licence and Manitoba Identification Card. DVA operations has subsequently repaid \$4.8 million and has \$1.2 million and \$0.1 million in net income (2014/15 and 2013/14 respectively) available to offset the costs associated with these projects and funding.

## RISK MANAGEMENT

Like any enterprise, Manitoba Public Insurance assumes risks in its operations that must be handled effectively in order to achieve its goals.

The Audit Committee of the Board of Directors ensures that enterprise-wide risk assessment processes and controls are in place to identify and mitigate these risks. The Audit Committee also monitors the Corporation's risks on an ongoing basis.

Management is responsible for developing, updating and enforcing the Corporation's Risk Management Framework (the Framework), which includes:

- » risk identification and assessment of impact if there were no risk mitigation actions in place
- » risk monitoring procedures
- » processes and controls to manage and mitigate risks
- » the residual risk after consideration of management action

The Framework ensures a consistent approach for addressing risks and a common understanding of risk and its mitigation throughout the Corporation. The risks are categorized based on the Corporation's seven overall strategic goals.

Much of the risk management process is focused on Goal 1: Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

The key risk mitigation areas are:

- » maintaining adequate unpaid claims reserve
- » maintaining an adequate Rate Stabilization Reserve
- » governance of investments
- » claims control strategies
- » information technology processes
- » loss prevention strategies

### UNPAID CLAIMS

Manitoba Public Insurance maintains provisions for unpaid claims on a discounted basis to cover its future claims commitments. The Corporation makes provisions for future development on claims that have been made, and an estimate for those that may have occurred but have not yet been reported.

In the case of major injuries, only a small portion of the total benefit is paid in the first year. As time passes and more information is available, the estimates are revised to reflect the most current forecast of claims costs.

Because the total amount paid on any single claim may be different from its initial reserve, Manitoba Public Insurance reviews the adequacy of these reserves quarterly. Adjustments, if needed, are calculated by the Corporation's Chief Actuary. An independent assessment of the reserves is also conducted twice a year by the Corporation's external Appointed Actuary. The external auditor performs procedures to assess the reasonability of the reserves as part of its annual audit of the Corporation's financial statements. This process serves to mitigate risk of misstatement of unpaid claims reserves.

For all insurance companies, long-lasting injury claims are the largest source of year-to-year variability in the estimate of ultimate costs. This variability and volatility is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as Personal Injury Protection Plan (PIPP) and public liability claims. For Manitoba Public Insurance, factors such as the effects of inflationary trends and changing interest rates contribute to this variability. Investment portfolio management techniques help to reduce this potential volatility.

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

## RATE STABILIZATION RESERVE

The Corporation establishes and maintains a Rate Stabilization Reserve (RSR) to protect motorists from rate increases made necessary by unexpected 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 Accumulated Other Comprehensive Income (AOCI)) is \$213.0 million (2014 - \$172.0 million for the 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 could 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 per cent to 20.0 per cent of written premiums. Twenty per cent of 2014 written premiums is \$165.0 million.

## INVESTMENTS

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, works collaboratively with the Department of Finance and makes recommendations to the Minister regarding appropriate policies and strategies to maximize return, minimize volatility and mitigate risk. For example, because the unpaid claims liabilities of the Corporation are inflation sensitive, investments that are inflation sensitive, such as real estate and infrastructure, are included in the portfolio. The Investment Committee has completed asset liability management studies to ensure that the asset mix chosen is compatible with the Corporation's liability profile. A complete description of these risks and risk mitigation strategies is outlined in Note 28 of the 2014/15 audited financial statements located on the Corporation's website [mpi.mb.ca](http://mpi.mb.ca).

## CLAIMS CONTROL STRATEGIES

Our cost-control measures with respect to claims management include:

- » Management of an accreditation program for the collision repair industry to ensure high-quality, safe repairs at a reasonable cost. This requires shops and the technicians within shops to meet standards for facilities, equipment and annual training of technicians.
- » Delivery of high-quality training programs to the collision repair industry to ensure repairs are performed by highly trained technicians to high standards using current technologies.

- » Use of estimating compliance software to ensure all repair estimates are prepared accurately and consistently, ensuring that only required repairs are performed.
- » Use of industry-recognized valuation tools to determine actual cash value of vehicles when settling total loss claims.
- » Use of aftermarket and recycled parts in vehicle repairs.
- » Discounted pricing on glass parts used in vehicle repairs.
- » Ensuring collection of claims costs from other insurers and at-fault parties (subrogation).
- » Sale of autos through salvage and tenders.
- » A team-based approach to managing bodily injury claims intended to assist individuals in achieving as full a recovery as possible.

Each year, these initiatives create significant savings that are directly passed on to customers in the form of lower insurance premiums. For example, salvage auto sales and tenders resulted in savings of almost \$33.7 million.

## INFORMATION TECHNOLOGY PROCESSES

### Information Technology Optimization

The Corporation depends on highly integrated, quality systems to serve customers and fulfill its legislated mandate. It is imperative that we continue to ensure that the Corporation's systems infrastructure is operating in the most effective and efficient manner. Applications and supporting infrastructure must be current and well-supported.

With respect to protecting our ongoing ability to serve customers, we are adopting processes and protocols to ensure "business continuity" in place of the previous approach of "disaster recovery" and continue working to improve our capacity in this area. Through Data Centre Optimization, we are creating an environment of "high availability" where backup systems continue to operate using current information from a second site in the event of a disaster or other business interruption, thus providing better customer service from more highly reliable and available systems.

### Business Continuity

The objective of our Business Continuity Management Program (BCMP) is to create corporate plans and responses that ensure continued customer service in the event of a business disruption. BCMP includes emergency response, crisis management, business recovery, IT service continuity, catastrophe, contingency and pandemic responses, and the processes used to ensure ongoing readiness. The program is focused on creating and implementing a Corporate Business Continuity Plan through a strong understanding of our products and services, people, delivery processes and technology.

Business continuity includes planning, prevention, preparedness and a proactive program approach to crisis responses and business delivery. The practice of business continuity recognizes the need for continuity in contrast to recovery. This approach leverages the prevention and proactive aspects of business continuity that provide continuous service during business disruptions as opposed to suspension and recovery.

## LOSS PREVENTION STRATEGY

The Corporation's Loss Prevention Strategy and Framework brings all elements of loss prevention together to contribute towards our overall goal of reduced claims and lower claims costs, which ultimately benefits ratepayers in the form of lower insurance premiums.

Key elements of loss prevention include our road safety programming, driver education, fraud prevention, subrogation and recovery, physical damage research and training, the Driver Safety Rating, Basic Insurance Fleet Management Program, programs administered under *The Drivers and Vehicles Act* and our competitive lines of insurance. We are also increasing the use of predictive analytics and quantifiable data to assist in loss-prevention efforts.

### Road Safety

The Corporation recognizes that successful road safety strategies can minimize the economic and social costs to ratepayers resulting from motor vehicle collisions. In collaboration with our road safety stakeholders, we continue to coordinate awareness strategies coupled with enforcement to reduce risk on Manitoba roads.

We remain focused on creating awareness and educating Manitobans about the risks and consequences of unsafe or illegal driving behaviours – including distracted driving, impaired driving, speeding and non-use of occupant restraints – that contribute most significantly to collisions, fatalities and serious injuries.

In 2014, the Province of Manitoba proclaimed amendments to *The Highway Traffic Act* and *The Drivers and Vehicles Act* to further address drug-impaired driving. Drug-impaired driving is now treated consistently with alcohol-impaired driving, including roadside administrative driving suspensions, downward Driver Safety Rating movements, potential vehicle impoundment and other driver improvement interventions through Manitoba Public Insurance.

Our joint efforts with the Manitoba Association of Chiefs of Police combine awareness and visible enforcement resources for maximum effectiveness. Over the course of the year, these strategic, integrated efforts also address safety issues related to school zones, cycling, pedestrians, intersections, ATVs, snowmobiles and wildlife.

Another major key to road safety continues to be driver education. The Corporation is the proud sponsor of Manitoba's High School Driver Education Program and subsidizes the cost of the program for students and their families. We also work closely with Safety Services Manitoba in the delivery of other road safety and driver improvement courses.

### Auto Theft

Manitoba Public Insurance is a key player in Manitoba's fight against auto theft. The Corporation has made significant progress in reducing auto theft and remains committed to keeping this costly crime to a minimum. Since 2004 – just prior to the Corporation implementing its auto theft initiatives – auto thefts in Winnipeg have dropped 83 per cent. Across the province, the combined total and attempted thefts continue to be the lowest since 1992, and are 80 per cent lower than 2006 when this combined total peaked.

The bulk of the Corporation's success continues to be attributed to two different but complementary initiatives: the Winnipeg Auto Theft Suppression Strategy (WATSS) and the Immobilizer Incentive Program. WATSS encompasses a range of enforcement, suppression and intervention efforts, while the Immobilizer Incentive Program continues to fund the installation of approved, aftermarket immobilizers in vehicles deemed more at risk of being stolen. In the 2014/15 fiscal year, the Corporation, in partnership with CAA Manitoba, also launched a campaign to raise awareness of auto theft involving a vehicle's keys.

### Special Investigations Unit

The Special Investigations Unit (SIU) is a key component of the corporate loss prevention strategy. The SIU investigates suspicious claims, which expose the Corporation to financial risk and fraud. Investigators with specialty expertise investigate claims which may arise due to arson, fraud, auto theft, organized criminal activity and other suspicious circumstances. The department works co-operatively with other departments within Manitoba Public Insurance, police agencies and the Crown attorney.

In addition, the department works to continually refine policies and procedures to deter criminal activity and identify suspicious claims for recovery.

### Special Accounts and Subrogation

The Special Accounts and Subrogation (SAS) department acts to secure, preserve and enforce the Corporation's rights of recovery through its various services, such as subrogation, litigation and collections. The goal of maximizing recovery – and thereby minimizing claims loss – requires SAS to work closely with other internal departments on claims recoveries and with police agencies and Crown prosecutors to secure court-ordered restitution on criminal recoveries.

Last year, SAS activity resulted in roughly \$10.3 million in recoveries for the Corporation.

## OUTLOOK

The Corporation remains committed to achieving its seven corporate goals. Actual results are monitored quarterly by the Board of Directors and may deviate from forecasts prepared in the previous year for rate setting purposes.

### Basic Autopac Rates

Under *The Crown Corporations Public Review and Accountability Act*, Manitoba Public Insurance is required to submit Basic Autopac rates to the Public Utilities Board for approval. The Corporation generally files its rate application in June of each year for the fiscal year beginning the following March.

On June 16, 2014 Manitoba Public Insurance filed its 2015/16 Basic insurance rate application with the Public Utilities Board. The Corporation recommended a 2.4 per cent overall increase in Basic insurance rates compared to the previous year, plus 1.0 per cent on Basic insurance rates to fund the Rate Stabilization Reserve. On December 5, 2014, the Public Utilities Board ordered a 3.4 per cent overall increase with 0.0 per cent to fund the Rate Stabilization Reserve.

### Basic Autopac Net Income

After a significant improvement in collision frequency in 2014/15 relative to the 2013/14 year, the Corporation expects that crash rates and injury rates will return to longer-term norms in 2015/16. However, the main driver of accident frequency continues to be the winter driving conditions, which will not be known until late 2015/16.

Accident severity also improved in 2014/15 as the Corporation was essentially within budget on anticipated severity for most coverages. The Corporation has maintained a growth forecast in 2015/16, using a shorter term trend for physical damage and a longer term trend for injury coverages, over the previous year.

The continued decline in interest rates, combined with solid returns on equities, resulted in much higher than anticipated investment income in 2014/15. However, the outlook in 2015/16 is for increasing interest rates, which are expected to cause decreases in the Corporation's investment income relative to prior years. The Corporation has an asset and liability management program in place that largely immunizes the Corporation from changes in interest rates.

### Other Lines Of Business Net Income

Extension and Special Risk Extension are expected to realize profits and on-going operations related to the administration of *The Drivers and Vehicles Act* are expected to generate some limited net income to replenish the Extension retained earnings used for start-up costs for the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's License and the Manitoba Identification Card.

## LOSS PREVENTION

The Corporation's emphasis on loss prevention is formalized in our Loss Prevention Strategy and Framework, which amalgamates the various loss prevention elements that contribute to our overall goal of reduced claims and lower claims costs. To realize this goal, which ultimately contributes to lower insurance premiums for ratepayers, we will continue to focus on road safety as a key element of loss prevention given our unique insight into road safety issues. This insight is gained from our experience and knowledge of drivers and their related claims, as well as their road safety behaviour.

Road safety is a highly complex issue involving interdependencies between road users, the vehicles they drive, the roads they drive on, the legislation that governs driver and vehicle licensing, rules of the road and enforcement. The Corporation's road safety mandate is governed by legislation, and a major focus of our road safety efforts is to administer regulatory programs under *The Drivers and Vehicles Act* that monitor and manage high risk or medically at risk drivers and that educate and create awareness of road safety risks.

A vital educational component is our High School Driver Education Program, which attracts more than 12,000 new teen drivers annually. Manitoba parents rely on Manitoba Public Insurance to teach their children about the rules of the road through this training program. We are currently undertaking a multi-year redevelopment of the program to ensure an inclusive, world-class program. As our communities continue to grow, we also recognize the need to adopt new approaches, learning curriculum and technologies to meet the needs of Manitoba's diverse population.

Moving forward, a three-year operational planning cycle for road safety has been developed to annually review, evaluate and enhance road safety priorities and initiatives. Organizational changes have been made that will allow for greater focus on establishing annual priorities and developing tangible, measurable strategies, programs and work plans to clearly demonstrate alignment to those priorities. Formal research and analytical and evaluation frameworks have been developed and include specific and tangible measures with which to assess the effectiveness of road safety activities at the program, portfolio and overall road safety priority level.

# **CONDENSED FINANCIAL STATEMENTS**

For the fiscal year ended February 28, 2015

These financial statements are not audited. The February 28, 2015 audited financial statements are available at [mpi.mb.ca](http://mpi.mb.ca) or upon request.

## CONDENSED FINANCIAL STATEMENTS

### Condensed Statement of Financial Position

As at February 28

(Unaudited - in thousands of Canadian dollars)	Notes	2015	2014
<b>Assets</b>			
Cash and cash equivalents	5	68,882	93,208
Investments	5	2,491,176	2,315,405
Investment property	5	42,417	38,312
Due from other insurance companies		443	4,080
Accounts receivable		387,909	334,137
Prepaid expenses		537	1,049
Deferred policy acquisition costs		24,014	24,742
Reinsurers' share of unearned premiums		79	61
Reinsurers' share of unpaid claims		8,118	24,741
Property and equipment		122,385	123,850
Deferred development costs		69,089	68,586
		<b>3,215,049</b>	<b>3,028,171</b>
<b>Liabilities</b>			
Due to other insurance companies		1	1,934
Accounts payable and accrued liabilities		62,287	63,026
Financing lease obligation		4,364	4,425
Unearned premiums and fees		527,121	497,811
Provision for employee current benefits		22,164	21,800
Provision for employee future benefits		391,119	333,138
Provision for unpaid claims	4	1,786,566	1,708,714
		<b>2,793,622</b>	<b>2,630,848</b>
<b>Equity</b>			
Retained Earnings		378,050	320,472
Accumulated Other Comprehensive Income		43,377	76,851
<b>Total Equity</b>		<b>421,427</b>	<b>397,323</b>
		<b>3,251,049</b>	<b>3,028,171</b>

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



### Condensed Statement of Operations

For the years ended February 28

(Unaudited - in thousands of Canadian dollars)

	Notes	2015	2014
<b>Earned Revenues</b>			
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		28,097	28,701
<i>The Drivers and Vehicles Act</i> operations recovery		27,900	27,900
<b>Total Earned Revenues</b>		<b>1,057,767</b>	<b>1,012,951</b>
<b>Claims Costs</b>			
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
<b>Total Claims Costs</b>		<b>992,897</b>	<b>1,009,260</b>
<b>Expenses</b>			
Operating		121,791	115,840
Commissions		77,109	74,813
Premium taxes		30,587	29,218
Regulatory/Appeal		3,955	3,791
<b>Total Expenses</b>		<b>233,442</b>	<b>223,662</b>
<b>Underwriting loss</b>		<b>(168,572)</b>	<b>(219,971)</b>
<b>Investment income</b>	6	<b>226,150</b>	<b>175,123</b>
<b>Net income (loss) from operations</b>		<b>57,578</b>	<b>(44,848)</b>

### Condensed Statement of Comprehensive Income (Loss)

For the years ended February 28

(Unaudited - in thousands of Canadian dollars)

	Notes	2015	2014
<b>Net income (loss) from operations</b>		<b>57,578</b>	<b>(44,848)</b>
<b>Other Comprehensive Income (Loss)</b>			
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 (losses) on Available for Sale assets		34,689	108,970
Reclassification of net realized (gains) losses 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
<b>Total Comprehensive Income (Loss)</b>		<b>24,104</b>	<b>(32,656)</b>

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

### Condensed Statement of Changes in Equity

(Unaudited - 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	55,578	-	55,578
Other comprehensive income (loss) for the year	-	(33,474)	(33,474)
<b>Balance as at February 28, 2015</b>	<b>378,050</b>	<b>43,377</b>	<b>421,427</b>

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

## Condensed Statement of Cash Flows

For the years ended February 28

(Unaudited - in thousands of Canadian dollars)

	Notes	2015	2014
<b>Cash Flows from (to) Operating Activities:</b>			
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
		<b>(65,840)</b>	<b>(140,267)</b>
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
		<b>90,446</b>	<b>190,601</b>
		<b>24,606</b>	<b>50,334</b>
<b>Cash Flows from (to) Investing Activities:</b>			
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)
		<b>(48,932)</b>	<b>(128,008)</b>
<b>Increase (decrease) in Cash and Cash Equivalents</b>		<b>(24,326)</b>	<b>(77,674)</b>
Cash and cash equivalents beginning of year		93,208	170,882
<b>Cash and Cash Equivalents end of year</b>	5	<b>68,882</b>	93,208
<b>Supplemental cash flow information:</b>			
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 CONDENSED FINANCIAL STATEMENTS

### February 28, 2015

#### 1. STATUS OF THE CORPORATION

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

#### 2. BASIS OF REPORTING

##### Statement of Compliance

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

For a complete listing of significant accounting policies, please refer to the February 28, 2015 audited financial statements available at [mpi.mb.ca](http://mpi.mb.ca).

The following are excerpts from the summary of significant accounting policies contained in the audited financial statements and do not represent full disclosure of significant accounting policies.

#### **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

Investments that are determined to be impaired are written down to their expected recoverable amount. 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.

#### **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.

### **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.

### **Revenue**

#### **PREMIUMS**

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

#### **UNEARNED PREMIUMS**

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

## INTEREST REVENUE

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

## DIVIDEND INCOME

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

## REALIZED GAINS AND LOSSES

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

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

## UNREALIZED GAINS AND LOSSES

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

### Provisions

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

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

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

## PROVISION FOR EMPLOYEE CURRENT BENEFITS

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

## PROVISION FOR EMPLOYEE FUTURE BENEFITS

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

### i. Pension Benefit Plan

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

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 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 other comprehensive income in the current period.

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

## PROVISION FOR UNPAID CLAIMS

IFRS 4, *Insurance Contracts* permits the continued use of insurance liability valuation methods previously used under pre-IFRS Canadian Generally Accepted Accounting Principles. 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 liability.

### 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.

## 4. PROVISION FOR UNPAID CLAIMS

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

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

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

## 5. CASH AND INVESTMENTS

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

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 per cent to 0.68 per cent (2014 - 0.87 per cent to 0.89 per cent), 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

(Unaudited - in thousands of Canadian dollars)

	Financial Instruments			Non-Financial Instruments	Total Fair Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
<b>As at February 28, 2015</b>					
Cash and cash equivalents	68,882	-	-	-	68,882
Bonds					
Federal	-	-	114,774	-	114,774
Manitoba:					
Provincial	-	-	244,640	-	244,640
Municipal	-	10,552	24,179	-	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

## Cash and Investments

(Unaudited - in thousands of Canadian dollars)

	Financial Instruments			Non-Financial Instruments	Total Fair Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
<b>As at February 28, 2014</b>					
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



## 6. INVESTMENT INCOME


(Unaudited - 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

## 7. EMPLOYEE FUTURE BENEFITS EXPENSE

(Unaudited - in thousands of Canadian dollars)	2015	2014
Pension benefits	24,403	23,955
Other post-employment benefits	5,839	4,856
Total	30,242	28,811

## 8. DEPRECIATION AND AMORTIZATION

(Unaudited - in thousands of Canadian dollars)	2015	2014
Amortization – deferred development	16,575	8,847
Depreciation – property and equipment	6,534	6,551

The background is a solid teal color with several large, overlapping, semi-transparent circles of varying shades of teal, creating a layered, abstract effect.

# **MANITOBA PUBLIC INSURANCE LOCATIONS**

## CUSTOMER SERVICE

### WINNIPEG

Tel: 204-985-7000

### OUTSIDE WINNIPEG

Tel: 800-665-2410

### DEAF ACCESS TTY/TDD

Tel: 204-985-8832

### OUT-OF-PROVINCE

#### CLAIMS

Tel: 800-661-6051

## ADMINISTRATIVE OFFICES

### WINNIPEG

234 Donald Street

Box 6300

R3C 4A4

### BRANDON

731 1st Street

R7A 6C3

## SERVICE LOCATIONS

### WINNIPEG

#### SERVICE CENTRES

15 Barnes Street

40 Lexington Park

1284 Main Street

930 St. Mary's Road

125 King Edward Street East

1103 Pacific Avenue

420 Pembina Highway

#### CITYPLACE

Service Centre - Main Floor

ID Verification and Data Integrity

Rehabilitation Management Centre

Serious and Long-Term Case

Management Centre

Bodily Injury Centre

234 Donald Street

#### PHYSICAL DAMAGE CENTRE

Holding Compound/Receiving

Salvage

Commercial Claims

1981 Plessis Road

### ARBORG

#### SERVICE CENTRE

323 Sunset Boulevard

### BEAUSEJOUR

#### SERVICE CENTRE

848 Park Avenue

### BRANDON

#### SERVICE CENTRE

731 1st Street

### DAUPHIN

#### SERVICE CENTRE

217 Industrial Road

### FLIN FLON

#### CLAIM CENTRE

8 Timber Lane

### PORTAGE LA PRAIRIE

#### SERVICE CENTRE

2007 Saskatchewan

Avenue West

### SELKIRK

#### SERVICE CENTRE

1008 Manitoba Avenue

### STEINBACH

#### SERVICE CENTRE

91 North Front Drive

### SWAN RIVER

#### CLAIM CENTRE

125 4th Avenue North

### THE PAS

#### CLAIM CENTRE

424 Fischer Avenue

### THOMPSON

#### SERVICE CENTRE

53 Commercial Place

### WINKLER

#### SERVICE CENTRE

355 Boundary Trail



***Manitoba  
Public Insurance***

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