Manitoba
Public Insurance

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR

ENDED FEBRUARY 29, 2016

RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Dan Guimond
President and Chief Executive Officer

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

May 26, 2016

May 26, 2016

Independent Auditor's Report

To the Directors of
Manitoba Public Insurance Corporation

We have audited the accompanying financial statements of Manitoba Public Insurance Corporation which comprise the statement of financial position as at February 29, 2016 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Public Insurance Corporation as at February 29, 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statements of financial position at February 29, 2016 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

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

Joe S. Cheng
Fellow, Canadian Institute of Actuaries

Toronto, Ontario

May 26, 2016

Financial Statements

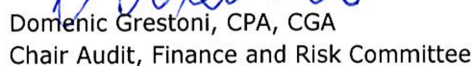
Statement of Financial Position

As At February 29/28 (in thousands of Canadian dollars)	Notes	2016	2015
Assets			
Cash and cash equivalents	*4*	**37,322**	68,882
Investments	*4*	**2,455,622**	2,491,176
Investment property	*4&5*	**42,206**	42,417
Due from other insurance companies	*6*	**45**	443
Accounts receivable	*28*	**423,918**	387,909
Prepaid expenses		**2,318**	537
Deferred policy acquisition costs	*7*	**28,844**	24,014
Reinsurers' share of unearned premiums	*14&17*	**115**	79
Reinsurers' share of unpaid claims	*17&18*	**6,445**	8,118
Property and equipment	*8*	**115,652**	122,385
Deferred development costs	*9*	**78,430**	69,089
		3,190,917	3,215,049
Liabilities			
Due to other insurance companies	*10*	**178**	1
Accounts payable and accrued liabilities	*11*	**66,035**	62,287
Financing lease obligation	*12*	**4,281**	4,364
Unearned premiums and fees	*14*	**560,548**	527,121
Provision for employee current benefits	*15*	**22,685**	22,164
Provision for employee future benefits	*16*	**378,117**	391,119
Provision for unpaid claims	*17&18*	**1,769,110**	1,786,566
		2,800,954	2,793,622
Equity			
Retained Earnings	*20*	**346,736**	378,050
Accumulated Other Comprehensive Income	*21*	**43,227**	43,377
Total Equity		**389,963**	421,427
		3,190,917	3,215,049

Contingent Liabilities (note 32)

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

Approved by the Board of Directors:



Brent VanKoughnet
Chairperson

Domenic Grestoni, CPA, CGA
Chair Audit, Finance and Risk Committee

Statement of Operations

For the years ended February 29/28 (in thousands of Canadian dollars)	Notes	**2016**	2015
Earned Revenues			
Gross premiums written		**1,119,774**	1,044,356
Premiums ceded to reinsurers		**(16,588)**	(17,801)
Net premiums written		**1,103,186**	1,026,555
(Increase) decrease in gross unearned premiums		**(33,040)**	(24,803)
Increase (decrease) in reinsurers' share of unearned premiums		**36**	18
Net premiums earned		**1,070,182**	1,001,770
Service fees & other revenue	22	**30,980**	28,097
The Drivers and Vehicles Act operations recovery	23	**27,900**	27,900
Total Earned Revenues		**1,129,062**	1,057,767
Claims Costs			
Direct claims incurred - gross		**771,691**	843,632
Claims (recovered) incurred ceded to reinsurers		**(1,066)**	1,243
Net claims incurred		**770,625**	844,875
Claims expense		**134,511**	134,247
Loss prevention/Road safety		**15,316**	13,775
Total Claims Costs		**920,452**	992,897
Expenses			
Operating		**121,821**	121,791
Commissions		**77,076**	77,109
Premium taxes		**32,602**	30,587
Regulatory/Appeal		**3,694**	3,955
Total Expenses		**235,193**	233,442
Underwriting loss		**(26,583)**	(168,572)
Investment income (loss)	4	**(4,731)**	226,150
Net income (loss) from operations	24	**(31,314)**	57,578

Statement of Comprehensive Income (Loss)

For the years ended February 29/28 (in thousands of Canadian dollars)	Notes	**2016**	2015
Net income (loss) from operations	24	**(31,314)**	57,578
Other Comprehensive Income (Loss)	16&21		
Items that will not be reclassified to income			
Remeasurement of Employee Future Benefits		**32,395**	(40,099)
Items that will be reclassified to income			
Unrealized gains (losses) on Available for Sale assets		**(66,316)**	34,689
Reclassification of net realized (gains) losses related to Available for Sale assets		**33,771**	(28,064)
Net unrealized gains (losses) on Available for Sale assets		**(32,545)**	6,625
Other Comprehensive Loss for the year		**(150)**	(33,474)
Total Comprehensive Income (Loss)		**(31,464)**	24,104

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2014	320,472	76,851	397,323
Net income from operations for the year	57,578	-	57,578
Other comprehensive loss for the year	-	(33,474)	(33,474)
Balance as at February 28, 2015	378,050	43,377	421,427
Net loss from operations for the year	(31,314)	-	(31,314)
Other comprehensive loss for the year	-	(150)	(150)
Balance as at February 29, 2016	**346,736**	**43,227**	**389,963**

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

Statement of Cash Flows

For the years ended February 29/28 (in thousands of Canadian dollars)	*Notes*	**2016**	2015
Cash Flows from (to) Operating Activities:			
Net income (loss) from operations		**(31,314)**	57,578
Non-cash items:			
Depreciation of property and equipment		**5,670**	6,534
Amortization of deferred development costs		**11,506**	16,575
Amortization of bond discount and premium		**3,754**	1,807
Gain on sale of investments		**(14,778)**	(55,984)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**76,744**	(75,691)
Unrealized gain on pooled real estate		**(12,713)**	(11,927)
Unrealized gain on investment in infrastructure		**(6,375)**	(5,562)
Impairment of available for sale investments		**33,375**	830
		65,869	(65,840)
Net change in non-cash balances:			
Due from other insurance companies		**398**	3,637
Accounts receivable and prepaid expenses		**(37,790)**	(53,260)
Deferred policy acquisition costs		**(4,830)**	728
Reinsurers' share of unearned premiums and unpaid claims		**1,637**	16,605
Due to other insurance companies		**177**	(1,933)
Accounts payable and accrued liabilities		**3,748**	(739)
Unearned premiums and fees		**33,427**	29,310
Provision for employee current benefits		**521**	364
Provision for employee future benefits		**19,393**	17,882
Provision for unpaid claims		**(17,456)**	77,852
		(775)	90,446
		65,094	24,606
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(1,055,166)**	(1,023,478)
Proceeds from sale of investments		**981,785**	996,755
Acquisition of property and equipment net of proceeds from disposals		**(2,343)**	(5,069)
Financing lease obligation		**(83)**	(61)
Deferred development costs incurred		**(20,847)**	(17,079)
		(96,654)	(48,932)
Decrease in Cash and Cash Equivalents		**(31,560)**	(24,326)
Cash and cash equivalents beginning of year		**68,882**	93,208
Cash and Cash Equivalents end of year	*4*	**37,322**	68,882
Supplemental cash flow information:			
Interest received		**50,052**	49,120
Dividends received		**16,963**	29,581

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

Notes to Financial Statements

February 29, 2016

1. STATUS OF CORPORATION

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under *The Automobile Insurance Act* in 1970. The Corporation is owned by the Province of Manitoba and the financial results of the Corporation are included in the consolidated financial statements of the Province of Manitoba. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba. The address of the Corporation's registered office is 234 Donald Street, Winnipeg, Manitoba.

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

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

2. BASIS OF REPORTING

Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements were authorized for issue by the Board of Directors on May 26, 2016.

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 include unearned premiums and unpaid claims and adjustment expenses.

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

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

Basis of Presentation

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

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

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

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

Seasonality

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

Basis of Measurement

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

Estimates and Judgments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Changes in Accounting Policies

IAS 19R - Employee Benefits

In November 2013, the IASB issued a narrow scope amendment to IAS 19R. The amendment applies to contributions from employees or third parties to defined benefit plans. The amendment allows contributions independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the related service is rendered instead of attributed to period of service using the same attribution method as used for the gross benefit. The Corporation has determined that there is no material impact on its financial statements.

Annual Improvement Cycles

The annual improvement cycles for 2010-2012 and 2011-2013 were issued by the IASB and included minor amendments to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*, IFRS 3 - *Business Combinations*, IFRS 8 - *Operating Segments*, IFRS 13 - *Fair Value Measurement*, IAS 16 - *Property, Plant and Equipment*, IAS 24 - *Related Party Disclosures*, IAS 38 - *Intangible Assets* and IAS 40 - *Investment Property*. The Corporation has determined that there is no material impact on its financial statements.

Investments

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

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

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

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

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

i) AFS Financial Assets

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

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

ii) HTM Financial Assets

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

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

iii) FVTPL Financial Assets

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

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

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

Loans and Receivables

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

Cash and Cash Equivalents

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

Derecognition of Financial Assets

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

Financial Liabilities

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

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

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

Derivatives

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

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

Fair Value Determination

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

Deferred Policy Acquisition Costs

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

Property and Equipment

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

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

Land & Building

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

Furniture & Equipment

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

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

Investment Property

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

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

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

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

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

Deferred Development Costs (Intangible Assets)

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

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

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

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

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

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

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

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

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

Leasing

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

Manitoba Public Insurance as a Lessee

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

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

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

Manitoba Public Insurance as a Lessor

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

Revenue

Premiums

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

Unearned Premiums

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

Interest Revenue

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

Investment Income

Investment income is recorded as it accrues. Dividend income from investments is recognized when the Corporation's rights to receive payments is established. Dividend income on common and preferred shares is recorded on the ex-dividend date. Distributions on pooled funds are recorded on the income distribution date. Gains and losses are determined and recorded as at the trade date, and are calculated on the basis of average cost. The effective interest rate method is used to amortize premiums or discounts on the purchase of bonds.

Realized Gains and Losses

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

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

Unrealized Gains and Losses

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

Provisions

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

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

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

Provision for Employee Current Benefits

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

Provision for Employee Future Benefits

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

i. Pension Benefit Plan

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

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 2015. Roll-forward procedures are performed to ensure that the December 31, 2015 valuation is a reliable estimate of the valuation at February 29, 2016.

ii. Other Benefit Plans

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

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

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

Provision for Unpaid Claims

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

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

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

Liability Adequacy Test

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

Salvage and Subrogation

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

Structured Settlements

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

Allocation of Revenue, Claims Incurred and Expenses

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

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

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

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

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

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

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

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

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

Reinsurance Ceded

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

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

Foreign Currency

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

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

Comprehensive Income

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Allowance for Doubtful Accounts

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

Deferred Development Costs (Intangible Assets)

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

Provision for Unpaid Claims

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

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

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

Provision for Employee Future Benefits

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

Fair Value of Level Three AFS and FVTPL Investments

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

Future Changes in Accounting Policy and Disclosure

Certain new standards, interpretations, amendments and improvements to existing standards were issued by The International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual reporting periods beginning on January 1, 2016 or later periods. The standards that may have an impact to the Corporation are:

IAS 1 – Presentation of Financial Statements

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

IFRS 4 – Insurance Contracts

In July 2014, the IASB published a revised exposure draft (2014 ED) on the accounting for insurance contracts which builds on the previous consultations undertaken. The 2014 ED is the result of deliberations at the IASB using comments received from constituents. The 2014 ED continues to propose a new standard on accounting for insurance contracts, which would replace IFRS 4. The proposals represent a comprehensive IFRS accounting model for insurance contracts and are expected to have a significant impact on the financial reporting of insurers.

A final standard is expected in 2016 with implementation not anticipated before 2019. The Corporation continues to monitor developments in this area.

In September 2015, the IASB amended the existing IFRS 4 to mitigate accounting mismatches from the adoption of IFRS 9, *Financial Instruments* before the new insurance contracts standard is issued. Insurers who meet certain criteria will be permitted to exclude from profit (loss) and recognize in other comprehensive income the difference between the amounts that would be recognized in profit (loss) in accordance with IFRS 9 and the amounts recognized in profit (loss) in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 7 – Financial Instruments: Disclosures

IFRS 7 was amended in December 2011 to require additional financial instrument disclosures upon transition from IAS 39, *Financial Instruments: Recognition and Measurement* to IFRS 9, *Financial Instruments*. The amendments are effective on adoption of IFRS 9. The amendments issued are permitted to be early adopted where IFRS 9 is also early adopted. The Office of the Superintendent of Financial Institutions (OSFI) has indicated that it will not allow early adoption of IFRS 9 for federally regulated financial institutions. While the Corporation is not federally regulated, it

generally follows OSFI's guidance on such matters. The Corporation is evaluating the impact this amendment will have on the financial statements.

IFRS 9 – Financial Instruments

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

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

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

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

This standard is effective for annual periods beginning on or after January 1, 2018. While early adoption is permitted under the standard, OSFI has indicated that early adoption is not allowed. While the Corporation is not federally regulated, it generally follows OSFI's guidance in such matters. The IASB has proposed temporary deferral and overlay approaches for insurers, as detailed in their December 2015 Exposure Draft *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed amendments to IFRS 4)*. Proposed changes would allow reporting entities, where the liabilities are predominantly arising from insurance contracts, to defer IFRS 9 until the new insurance contracts standard is issued, or 2021 at the latest.

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and is intended to replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related IFRICs. The standard was issued as a result of an ongoing project to align revenue recognition between IFRS and U.S. Generally Accepted Accounting Principles, and applies to revenue arising from contracts with customers, including service contracts. IFRS 15 contains a scope exception which excludes insurance contracts within the scope of IFRS 4 and revenue arising from financial instruments, therefore this standard will have a limited impact on the Corporation. This standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted.

IFRS 16 – Leases

IFRS 16 was issued in January, 2016 and is intended to replace IAS 17, *Leases*. This standard was issued as a result of a joint project with the U.S. Financial Accounting Standards Board. This standard will include a single lessee accounting model whereby a lessee recognizes a right-of-use asset and a lease liability. A lessee may elect to apply an exemption to the standard for: leases with a term of 12 months or less that contain no purchase options; or leases where the underlying asset has low value when new. This standard is effective for annual periods beginning on or after January 1, 2019. Early application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

Annual Improvement Cycles

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

Annual improvement 2012–2014 cycle was issued in September 2014 by the IASB, and included minor amendments to IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations,* IFRS 7 and IAS 19R. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

4. INVESTMENTS

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

Cash equivalent investments have a total principal amount of $25.3 million (February 28, 2015 – $66.4 million) comprised of provincial short-term deposits with effective interest rates of 0.52% (February 28, 2015 - 0.60% to 0.68%), 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 (February 28, 2015 - $5.0 million). There were no drawdowns against this line of credit at February 29, 2016 (February 28, 2015 – nil).

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments				
As at February 29, 2016	**Classified as Available for Sale**	**Classified as Held to Maturity**	**Classified as Fair Value Through Profit or Loss**	**Non-Financial Instruments**	**Total Fair Value**
Cash and cash equivalents	**37,322**	**-**	**-**	**-**	**37,322**
Bonds					
Federal	**-**	**-**	**124,272**	**-**	**124,272**
Manitoba:					
Provincial	**-**	**-**	**186,044**	**-**	**186,044**
Municipal	**-**	**8,538**	**26,611**	**-**	**35,149**
Hospitals	**-**	**-**	**10,167**	**-**	**10,167**
Schools	**-**	**614,860**	**-**	**-**	**614,860**
Other provinces:					
Provincial	**-**	**-**	**548,854**	**-**	**548,854**
Municipal	**-**	**-**	**105,262**	**-**	**105,262**
Corporations	**-**	**-**	**54,474**	**-**	**54,474**
	-	**623,398**	**1,055,684**	**-**	**1,679,082**
Other investments	**2,115**	**-**	**-**	**-**	**2,115**
Infrastructure	**-**	**-**	**83,227**	**-**	**83,227**
Equity investments	**468,991**	**-**	**-**	**-**	**468,991**
Pooled Real Estate Fund	**-**	**-**	**222,207**	**-**	**222,207**
Investments	**471,106**	**623,398**	**1,361,118**	**-**	**2,455,622**
Investment property	**-**	**-**	**-**	**42,206**	**42,206**
	508,428	**623,398**	**1,361,118**	**42,206**	**2,535,150**

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

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

As at February 29, 2016

(in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	**306,361**	**82,552**	**388,913**
With unrealized (losses)	**89,580**	**(9,502)**	**80,078**
Subtotal – Equity Investments	**395,941**	**73,050**	**468,991**
Other Investments			
With unrealized gains	**554**	**1,561**	**2,115**
Subtotal – Other Investments	**554**	**1,561**	**2,115**
Total AFS Equity and Other Investments	**396,495**	**74,611**	**471,106**

As at February 28, 2015

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

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

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

Fair Value Measurement

Financial assets that are measured at fair value are classified by their level within the fair value hierarchy. The fair value hierarchy consists of three levels that are defined on the basis of the type of inputs used to measure fair value. The classification cannot be higher than the lowest level of input that is significant to the measurement:

Level 1 – Fair value is determined based on unadjusted quoted prices of identical assets in active markets. Inputs include prices from exchanges where equity and debt securities are actively traded.

Level 2 – Level 2 valuations utilize inputs other than quoted market prices included in Level 1 that are observable, directly or indirectly, for the asset. These inputs include quoted prices for similar assets in active markets and observable inputs other than quoted prices, such as interest rates and yield curves. The fair values for some Level 2 securities were obtained from a pricing service. Pricing service inputs may include benchmark yields, reported trades, broker/dealer quotes and bid/ask spreads.

Level 3 – Fair value measurements using significant inputs that are not based on observable market data are Level 3. This mainly consists of derivatives and private equity investments. In these cases prices may be determined by internal pricing models utilizing all available financial information, including direct comparison and industry sector data. For some investments, valuations are obtained annually. For periods between valuations, management assesses the validity of the valuation for current reporting purposes.

No investments were transferred between levels in 2016 or 2015.

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

As at February 29, 2016 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**87,315**	**953,607**	**14,762**
Infrastructure	**-**	**-**	**83,227**
Pooled real estate	**-**	**217,559**	**4,648**
Total FVTPL financial assets	**87,315**	**1,171,166**	**102,637**
AFS financial assets			
Cash and cash equivalents	**37,322**	**-**	**-**
Other investments	**-**	**-**	**2,115**
Equity investments	**468,991**	**-**	**-**
Total AFS financial assets	**506,313**	**-**	**2,115**
Total assets measured at fair value	**593,628**	**1,171,166**	**104,752**

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

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2016**	2015	**2016**	2015
Balance at March 1	**71,410**	63,469	**2,446**	3,885
Total gains/(losses)				
Included in net income	**5,657**	5,621	**(401)**	(830)
Included in OCI	**-**	-	**70**	(545)
Purchases	**25,570**	2,320	**-**	-
Sales	**-**	-	**-**	(64)
Balance at February 29/28	**102,637**	71,410	**2,115**	2,446

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value. As of February 29, 2016 the fair value of municipal, utilities, schools and hospital bonds held to maturity is $623.4 million (February 28, 2015 - $606.8 million).

Impairment

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

As at February 29, 2016

(in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Available for sale	**67,097**	**(33,375)**	**33,722**
	67,097	**(33,375)**	**33,722**

As at February 28, 2015

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

Investment Income (Loss)

(in thousands of Canadian dollars)	**2016**	2015
Interest income	**51,278**	50,514
Gain on sale of FVTPL bonds	**15,174**	27,090
Unrealized gain (loss) on FVTPL bonds	**(76,744)**	75,691
Unrealized gain on pooled real estate	**12,713**	11,927
Dividends on infrastructure investments	**1,364**	985
Unrealized gain on infrastructure investments	**6,375**	5,562
Dividend income	**15,529**	28,468
Gain (loss) on sale of equities and other investments	**(396)**	28,935
Gain on foreign exchange	**13**	82
Gain on sale of investment property	**4,412**	-
Income from investment property	**3,206**	1,848
Impairment of AFS investments	**(33,375)**	(830)
Investment management fees	**(4,280)**	(4,122)
Total	**(4,731)**	226,150

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.3 million (February 28, 2015 – $4.1 million). This includes $2.8 million (February 28, 2015 – $2.4 million) of fees the Province paid to outside managers on the Corporation's behalf.

5. INVESTMENT PROPERTY – NON-FINANCIAL INSTRUMENTS

(in thousands of Canadian dollars)	cityplace Building*	Surface Parking Lots	Parkade	Investment Property Under Construction	Total
Cost					
Balance at March 1, 2014	26,873	4,578	10,822	-	42,273
Additions	5,423	-	-	-	5,423
Balance at February 28, 2015	32,296	4,578	10,822	-	47,696
Additions	-	-	-	1,105	1,105
Disposals	-	(3,538)	-	-	(3,538)
Transfers from Property Under Construction (Note 8)	-	-	-	3,406	3,406
Balance at February 29, 2016	**32,296**	**1,040**	**10,822**	**4,511**	**48,669**
Accumulated Depreciation					
Balance at March 1, 2014	2,883	-	1,078	-	3,961
Depreciation	1,096	-	222	-	1,318
Balance at February 28, 2015	3,979	-	1,300	-	5,279
Depreciation	961	-	223	-	1,184
Balance at February 29, 2016	**4,940**	-	**1,523**	**-**	**6,463**
Carrying Amounts					
At February 28, 2015	28,317	4,578	9,522	-	42,417
At February 29, 2016	**27,356**	**1,040**	**9,299**	**4,511**	**42,206**
Fair Value at February 29, 2016	**41,000**	**4,000**	**21,000**	**4,511**	**70,511**

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

6. DUE FROM OTHER INSURANCE COMPANIES

(in thousands of Canadian dollars)	2016	2015
Balance at March 1	**443**	4,080
Claims paid ceded to reinsurers	**2,739**	30,947
Less: recovery from reinsurers	**(3,137)**	(34,584)
Balance at February 29/28	**45**	443

7. DEFERRED POLICY ACQUISITION COSTS

(in thousands of Canadian dollars)	2016	2015
Balance at March 1	**24,014**	24,742
Deferred during the year	**112,491**	104,694
Expensed during the year	**(110,733)**	(104,169)
Recovery (Write-down)	**3,072**	(1,253)
Balance at February 29/28	**28,844**	24,014

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

8. PROPERTY AND EQUIPMENT

(in thousands of Canadian dollars)	Land & Buildings [1]	Furniture & Equipment [2]	Buildings under Finance Lease [3]	Property under Construction [4]	Total
Cost					
Balance at March 1, 2014	127,790	69,529	13,451	4,191	214,961
Additions	-	1,617	-	3,602	5,219
Disposals	-	(5,377)	-	-	(5,377)
Transfer from (out of) Property under construction[5]	3,068	42	-	(3,114)	(4)
Balance at February 28, 2015	130,858	65,811	13,451	4,679	214,799
Additions	-	1,888	-	712	2,600
Disposals	-	(35,864)	-	-	(35,864)
Transfer from (out of) Property under construction (Note 5)	1,441	-	-	(4,847)	(3,406)
Balance at February 29, 2016	**132,299**	**31,835**	**13,451**	**544**	**178,129**
Accumulated Depreciation					
Balance at March 1, 2014	27,135	62,661	1,315	-	91,111
Disposals	-	(5,231)	-	-	(5,231)
Depreciation	3,176	3,022	336	-	6,534
Balance at February 28, 2015	30,311	60,452	1,651	-	92,414
Disposals	-	(35,607)	-	-	(35,607)
Depreciation	3,094	2,240	336	-	5,670
Balance at February 29, 2016	**33,405**	**27,085**	**1,987**	-	**62,477**
Carrying Amounts					
At February 28, 2015	100,547	5,359	11,800	4,679	122,385
At February 29, 2016	**98,894**	**4,750**	**11,464**	**544**	**115,652**

(1) Includes land, land improvements, leasehold improvements, buildings and building components: elevators, escalators, HVAC systems, roofing systems.
(2) Includes furniture, equipment, computer equipment and vehicles.
(3) Includes property located at 1284 Main Street in Winnipeg held under a financing lease. Refer to Note 12 for financing lease obligations.
(4) The Corporation is in the process of modifying Plessis Road, Pembina and Brandon locations. In 2014/15, the Corporation was restoring the parkade in cityplace.
(5) Portions of the property under construction relate to the investment property portion of cityplace.

9. DEFERRED DEVELOPMENT COSTS

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2014	132,743
Additions	17,079
Balance at February 28, 2015	149,822
Additions	20,847
Balance at February 29, 2016	**170,669**
Accumulated Amortization	
Balance at March 1, 2014	64,158
Amortization	16,575
Balance at February 28, 2015	80,733
Amortization	11,506
Balance at February 29, 2016	**92,239**
Carrying Amounts	
At February 28, 2015	69,089
At February 29, 2016	**78,430**

Deferred development costs of $52.6 million (February 28, 2015 - $33.4 million) have not yet been put into use and are currently not being amortized. No impairments were recognized during the year (February 28, 2015 – nil).

10. DUE TO OTHER INSURANCE COMPANIES

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**1**	1,934
Change in reinsurance ceded premiums written less installment payments	**5**	(415)
Change in amounts received as collateral for reinsurers' share of unpaid claims	**172**	(1,518)
Balance at February 29/28	**178**	1

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2016**	2015
Due to the Province of Manitoba	**9,265**	11,160
Payroll	**3,222**	3,467
Broker commissions	**6,845**	8,119
Provision for fleet rebates	**14,896**	14,333
International Registration Program payable to other jurisdictions	**4,895**	5,717
Other payables and accrued liabilities	**26,912**	19,491
Balance at February 29/28	**66,035**	62,287

12. FINANCING LEASE OBLIGATION

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

(in thousands of Canadian dollars with the exception of interest rates)	**2016**	2015
Interest rate	**6.70%**	6.70%
Interest expense for the year	**290**	295
Financing lease obligation at February 29/28	**4,281**	4,364

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**2016**	2015	**2016**	2015
Not later than one year	**375**	373	**362**	360
Later than one year and not later than five years	**1,518**	1,500	**1,326**	1,313
Later than five years	**5,842**	6,235	**3,740**	3,877
Total	**7,735**	8,108	**5,428**	5,550

13. OPERATING LEASES

As A Lessee:

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

Non-cancellable operating lease rentals are payable as follows:

(in thousands of Canadian dollars)	**2016**	2015
Not later than one year	**741**	801
Later than one year and not later than five years	**1,803**	2,559
Later than five years	**1,512**	1,614
Total	**4,056**	4,974

During the year ended February 29, 2016, $754 thousand was recognized as an expense for operating leases (February 28, 2015 - $857 thousand) in the Statement of Operations.

As A Lessor:

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

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

(in thousands of Canadian dollars)	**2016**	2015
Not later than one year	**3,647**	3,530
Later than one year and not later than five years	**8,313**	9,934
Later than five years	**7,154**	7,317
Total	**19,114**	20,781

During the year ended February 29, 2016, income from investment property includes gross rental income from operating leases of $14.3 million (February 28, 2015 - $13.2 million) and gross rental expenses pertaining to operating leases of $11.4 million (February 28, 2015 - $11.4 million). Included in rental income is income contingent on retail sales of $165 thousand (February 28, 2015 - $205 thousand).

14. UNEARNED PREMIUMS AND FEES

		2016	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Unearned premiums			
Balance at March 1	**481,916**	**79**	**481,837**
Premiums written	**1,119,774**	**16,588**	**1,103,186**
Premiums earned	**(1,086,734)**	**(16,552)**	**(1,070,182)**
Balance at February 29	**514,956**	**115**	**514,841**
Prepaid premiums	**37,849**	**-**	**37,849**
Unearned fees	**7,743**	**-**	**7,743**
Balance at February 29	**560,548**	**115**	**560,433**

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

15. PROVISION FOR EMPLOYEE CURRENT BENEFITS

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

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**22,164**	21,800
Provisions incurred	**15,160**	14,690
Payments	**(14,639)**	(14,326)
Balance at February 29/28	**22,685**	22,164

16. PROVISION FOR EMPLOYEE FUTURE BENEFITS

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

The Corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2015, with the next scheduled actuarial valuation being December 31, 2016.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. The weighted average duration of the defined benefit obligation is 16.29 years (February 28, 2015 – 17.15 years). Results from the most recent actuarial valuations, projected to February 29, 2016 and the corresponding economic assumptions are as follows:

Assumptions:

	Pension Benefit Plan		Other Benefit Plans	
	2016	2015	**2016**	2015
Discount rate	**4.05%**	3.60%	**4.05%**	3.60%
Inflation rate	**2.00%**	2.00%		
Expected salary increase	**2.75%**	2.75%		
Expected health care cost increase (out of scope)			**4.90%**	5.50%
Expected health care cost increase (in scope)			**2.00%**	2.00%

Change in benefit obligations:

(in thousands of Canadian dollars)	Pension Benefit Plan		Other Benefit Plans	
	2016	2015	**2016**	2015
Balance at March 1	**339,334**	285,326	**51,785**	47,812
Current service cost	**14,103**	12,054	**5,414**	5,059
Interest cost	**12,760**	12,349	**931**	780
Benefits paid	**(10,832)**	(9,659)	**(2,983)**	(2,701)
Remeasurement (gains) losses recognized in OCI	**(26,975)**	39,264	**(5,420)**	835
Balance at February 29/28	**328,390**	339,334	**49,727**	51,785
Employee contribution for the year	**9,679**	8,909	**-**	-

Plan Assets

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

Benefit Plan Expenses

(in thousands of Canadian dollars)	Pension Benefit Plan		Other Benefit Plans	
	2016	2015	**2016**	2015
Current service cost	**14,103**	12,054	**5,414**	5,059
Interest cost	**12,760**	12,349	**931**	780
	26,863	24,403	**6,345**	5,839

Sensitivity analysis

Based on the December 31, 2015 actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan

Gain due to discount rate increasing from 4.05% to 5.05% (plus 1.00%)	(50,907)
Loss due to discount rate decreasing from 4.05% to 3.05% (minus 1.00%)	66,596
Loss due to mortality life expectancy at age 65 up one year	4,461
Loss due to inflation indexing (2/3rd COLA) increasing from 2.00% to 3.00% (plus 1.00%)	28,624
Gain due to inflation indexing (2/3rd COLA) decreasing from 2.00% to 1.00% (minus 1.00%)	(25,027)

Other Benefit Plans

Gain due to discount rate increasing from 4.05% to 5.05% (plus 1.00%)	(3,724)
Loss due to discount rate decreasing from 4.05% to 3.05% (minus 1.00%)	4,926
Loss due to mortality life expectancy at age 65 up one year	1,090
Loss due to health care cost inflation indexing increasing 1.00%	4,849
Gain due to health care cost inflation indexing decreasing 1.00%	(3,741)

Expected maturity analysis of undiscounted pension benefit and other benefit plans:

(in thousands of Canadian dollars)	**Less than a year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**	**Total**
Pension benefit plan	**9,360**	**10,339**	**36,890**	**642,309**	**698,898**
Other benefit plans	**438**	**497**	**1,850**	**45,411**	**48,196**
At December 31, 2015	**9,798**	**10,836**	**38,740**	**687,720**	**747,094**

(in thousands of Canadian dollars)	Less than a year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Pension benefit plan	8,513	9,392	33,443	629,936	681,284
Other benefit plans	409	469	1,769	43,157	45,804
At December 31, 2014	8,922	9,861	35,212	673,093	727,088

17. INSURANCE CONTRACTS

The following is a summary of the insurance contract provisions and related reinsurance assets as at February 29/28, 2016 and 2015.

(in thousands of Canadian dollars)		**2016**	
	Gross	**Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Outstanding case reserves	**1,159,902**	**4,657**	**1,155,245**
Provision for incurred but not reported claims	**398,478**	**1,486**	**396,992**
Provision for internal loss adjusting expenses	**173,752**	**-**	**173,752**
Effect of discounting	**(204,276)**	**(175)**	**(204,101)**
Provision for adverse deviation	**241,254**	**477**	**240,777**
Provision for Unpaid Claims	**1,769,110**	**6,445**	**1,762,665**
Provision for Unearned Premiums (Note 14)	**514,956**	**115**	**514,841**
Insurance Contract Provisions	**2,284,066**	**6,560**	**2,277,506**

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

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at February 29/28, 2016 and 2015.

(in thousands of Canadian dollars)		**2016**	
	Gross	**Reinsurance Ceded**	**Net**
Basic	**2,042,963**	**665**	**2,042,298**
Extension	**101,399**	**(568)**	**101,967**
Special Risk Extension	**102,726**	**6,161**	**96,565**
Total undiscounted	**2,247,088**	**6,258**	**2,240,830**
Discounting with Provision for Adverse Deviation and premium deficiency	**36,978**	**302**	**36,676**
Total Insurance Contract Provisions	**2,284,066**	**6,560**	**2,277,506**

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

18. CLAIMS LIABILITIES

Methodology and Assumptions

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

Loss Development Method

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

Bornheutter-Ferguson Method

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

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

By line of business and coverage, losses paid and incurred for the last 19 accident years, on a gross basis, are organized in a triangular form by accident year and development period. Adjustments are made to the triangles for comprehensive coverage and indexed coverages:

- For comprehensive coverage, catastrophic losses are removed from the triangles. For the purpose of the valuation, catastrophic losses are defined as losses from a single catastrophic event whereby the incurred losses from the event exceed the Corporation's catastrophe retention level for the applicable accident year. The claim liabilities for these catastrophic losses are evaluated separately.
- For indexed coverages, prior years' losses are brought to current benefit levels so that the loss development factors are unaffected by indexation.

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

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

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

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

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

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

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

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

Changes in Assumptions

Change in Discount Rate

The selected discount rate, determined based on the average duration weighted yield for the Corporation's bond portfolio, increased by 42 basis points, from 2.92% to 3.34%, between the February 28, 2015 valuation and the February 29, 2016 valuation. The increase in the selected discount rate decreased the discounted net claim liabilities by $69.9 million and ILAE provision by $7.5 million.

Interest Rate Margin for Adverse Deviation

The interest rate margin for adverse deviation (MFAD) decreased from 75 basis points to 50 basis points i.e. a decrease of 25 basis points. The decrease is to reflect changes to the Corporation's asset-liability management, specifically the matching of the duration of the assets supporting policy liabilities to the duration of those liabilities. This matching of duration reduces the mismatch risk. The decrease in the interest rate MFAD decreased the discounted net claim liabilities by $35.5 million and ILAE provision by $3.8 million.

Change in Loss Development Factors

The selected loss development factors for all coverages are reviewed and revised to reflect an additional year of actual losses. The aggregate effect of all revisions to the selected loss development factors is an increase in the discounted net claim liabilities of $49.1 million and ILAE provision of $9.6 million.

Change in Selected ILAE Ratio

The selected ILAE loss ratios for all coverages are reviewed and revised to reflect recent indications. The aggregate effect of all revisions to the selected ILAE ratios is a decrease in the ILAE provision of $5.8 million.

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

Balance at February 29, 2016 (in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Automobile Insurance Division			
Liability	**1,579,419**	**6,047**	**1,573,372**
Physical Damage	**187,220**	**398**	**186,822**
	1,766,639	**6,445**	**1,760,194**
Discontinued Operations - Personal/Commercial Lines	**2,471**	**-**	**2,471**
	1,769,110	**6,445**	**1,762,665**

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

Changes in Unpaid Claims and ILAE Provision

Gross

(in thousands of Canadian dollars)	**2016**	2015
Discounted unpaid claims at March 1	**1,599,559**	1,519,735
Effect of discounting and Provision for Adverse Deviation	**(137,450)**	(48,697)
Undiscounted unpaid claims at March 1	**1,462,109**	1,471,038
Ultimate claims for current accident year	**797,587**	695,156
Payment on current accident year claims	**(495,405)**	(416,666)
Change in ultimate claims from prior accident years	**54,699**	25,374
Payments on prior accident years claims	**(260,610)**	(312,793)
Undiscounted unpaid claims at February 29/28	**1,558,380**	1,462,109
Effect of discounting and Provision for Adverse Deviation	**36,978**	137,450
Premium deficiency	**-**	11,950
Discounted unpaid claims at February 29/28	**1,595,358**	1,611,509
ILAE provision	**173,752**	175,057
Total unpaid claims provision	**1,769,110**	1,786,566

Reinsurance Ceded

(in thousands of Canadian dollars)	**2016**	2015
Discounted unpaid claims at March 1	**8,118**	24,741
Effect of discounting and Provision for Adverse Deviation	**(448)**	(1,526)
Undiscounted unpaid claims at March 1	**7,670**	23,215
Ultimate claims for current accident year	**425**	447
Change in ultimate claims from prior accident years	**786**	(477)
Payments on prior accident years claims	**(2,738)**	(15,515)
Undiscounted unpaid claims at February 29/28	**6,143**	7,670
Effect of discounting and Provision for Adverse Deviation	**302**	448
Discounted unpaid claims at February 29/28	**6,445**	8,118
Total unpaid claims provision	**6,445**	8,118

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2016**	2015
Discounted unpaid claims at March 1	**1,591,441**	1,494,994
Effect of discounting and Provision for Adverse Deviation	**(137,002)**	(47,171)
Undiscounted unpaid claims at March 1	**1,454,439**	1,447,823
Ultimate claims for current accident year	**797,162**	694,709
Payment on current accident year claims	**(495,405)**	(416,666)
Change in ultimate claims from prior accident years	**53,913**	25,851
Payments on prior accident years claims	**(257,872)**	(297,278)
Undiscounted unpaid claims at February 29/28	**1,552,237**	1,454,439
Effect of discounting and Provision for Adverse Deviation	**36,676**	137,002
Premium deficiency	**-**	11,950
Discounted unpaid claims at February 29/28	**1,588,913**	1,603,391
ILAE provision	**173,752**	175,057
Total unpaid claims provision	**1,762,665**	1,778,448

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $240.8 million (February 28, 2015 – $280.0 million). This is comprised of a claims development PfAD of $172.5 million (February 28, 2015 – $169.9 million), an interest rate PfAD of $68.0 million (February 28, 2015 – $109.7 million), and a reinsurance PfAD of $0.3 million (February 28, 2015 - $0.4 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (February 28, 2015 – nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 29, 2016 are a decrease of $0.3 million (February 28, 2015 – $1.1 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

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

Development of Ultimate Claims

The following table represents the development of claims on the gross basis as of February 29, 2016.

Gross (in thousands of Canadian dollars)	Accident Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	9 Year Total
Estimate of ultimate claims costs for the most recent nine years:										
At end of accident year	691,105	605,403	641,528	633,831	624,935	662,672	747,160	695,156	797,589	
One year later	672,846	591,749	611,577	627,341	628,331	688,939	749,198	702,512		
Two years later	669,780	576,027	608,583	635,392	648,565	693,249	757,375			
Three years later	638,322	556,757	610,837	633,448	641,615	686,140				
Four years later	636,848	576,287	604,017	643,939	650,484					
Five years later	642,221	578,040	606,305	649,095						
Six years later	647,992	580,572	606,027							
Seven years later	648,971	580,306								
Eight years later	651,256									
Current estimate of cumulative claims cost	651,256	580,306	606,027	649,095	650,484	686,140	757,375	702,512	797,589	6,080,784
Cumulative payments to date	583,367	517,200	541,169	576,692	568,821	608,010	649,278	566,935	495,405	5,106,877
Effect of discounting and PfAD on above	1,216	1,260	1,241	1,366	1,463	1,534	2,346	3,721	13,671	27,818
Discounted gross unpaid claims in respect of years prior to 2008										591,232
Gross claims relating to Discontinued General Insurance										2,401
ILAE provision										173,752
Total gross unpaid claims										1,769,110
Current estimate of surplus (deficiency)	39,849	25,097	35,501	(15,264)	(25,549)	(23,468)	(10,215)	(7,356)	-	

The following table represents the development of claims on the net of reinsurance basis as of February 29, 2016.

Net of Reinsurance Ceded (in thousands of Canadian dollars)	Accident Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	9 Year Total
Estimate of ultimate claims costs for the most recent nine years:										
At end of accident year	649,685	604,932	618,906	633,302	624,467	662,195	744,364	694,710	797,164	
One year later	632,233	591,300	590,027	626,998	628,030	688,605	746,019	702,227		
Two years later	629,452	575,765	586,460	635,164	648,282	693,029	754,034			
Three years later	598,087	556,562	590,448	633,271	641,356	685,992				
Four years later	595,360	576,148	583,748	643,834	649,573					
Five years later	601,993	577,951	585,925	649,020						
Six years later	607,862	580,511	585,671							
Seven years later	608,808	580,261								
Eight years later	611,109									
Current estimate of cumulative claims cost	611,109	580,261	585,671	649,020	649,573	685,992	754,034	702,227	797,164	6,015,051
Cumulative payments to date	543,262	517,200	520,870	576,692	568,644	608,010	646,463	566,935	495,404	5,043,480
Effect of discounting and PfAD on above	1,216	1,261	1,242	1,367	1,455	1,536	2,321	3,730	13,679	27,807
Discounted net unpaid claims in respect of years prior to 2008										587,134
Net claims relating to Discontinued General Insurance										2,401
ILAE provision										173,752
Total net unpaid claims										1,762,665
Current estimate of surplus (deficiency)	38,576	24,671	33,235	(15,718)	(25,106)	(23,797)	(9,670)	(7,517)	-	

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporations claim liabilities. PIPP claim liabilities are also the most uncertain because of the long term nature of these benefits. A 5.00% increase in net PIPP claim liabilities is equal to approximately $54.0 million. Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected.

A 1.00% decrease in the interest rate would increase PIPP claim liabilities by approximately $140.7 million. However, this impact would be largely offset by gains on the Corporation's fixed income portfolio. Changes to the assumptions for other coverages or lines of business are considered to be less material.

19. REINSURANCE

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 29, 2016, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $5.0 million (February 28, 2015 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $15.0 million (February 28, 2015 – $15.0 million). These arrangements protect the Corporation against losses up to $251.7 million (February 28, 2015 – $251.7 million).

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

20. CAPITAL MANAGEMENT

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

- The Personal Identification Card Fund (PICF) is an appropriation from the non-Basic lines of business Retained Earnings. The PICF was established to defray costs of the project to create a personal identification card that incorporates Manitoba Health card information. The Corporation initially transferred $3.0 million from the non-Basic lines of business Retained Earnings and has committed to transfer an additional $17.0 million.

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

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

The Corporation's Board of Directors current target for total equity (which includes Basic retained earnings and the Basic portion of AOCI) is $231.0 million (February 28, 2015 - $213.0 million) based on the 2015 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In his report, the Corporation's Chief Actuary concluded that a minimum total equity level of $231.0 million would be required for Basic to achieve a satisfactory future financial condition. A total equity level lower than $231.0 million would result in a "not satisfactory" opinion because there are plausible adverse scenarios identified where liabilities exceed assets.

In Order No. 128.15, the Public Utilities Board accepted the DCAT methodology for the minimum Basic RSR target level based on total equity for the 2016 fiscal year; therefore the Public Utilities

Board minimum Basic RSR target based on total equity is $231.0 million. Previous to this, the Corporation used the maximum of the Public Utilities Board RSR target which was based on 10.0% to 20.0% of written premiums (February 28, 2015 - $82.5 million to $165.0 million).

The Corporation's Board of Directors' current target level for Extension total equity (Retained Earnings and Extension's portion of AOCI) is $71.0 million (February 28, 2015 - $72.0 million) based on the 2015 Extension Minimum Capital Test (MCT) report. Based on this target the Corporation's Chief Actuary has concluded that the future financial condition of this line of business is satisfactory. The Corporation is in compliance with this target.

The Corporation's Board of Directors' current target level of $50.0 million (February 28, 2015 - $45.0 million) for SRE total equity (Retained Earnings and SRE's portion of AOCI) is based on the 2015 SRE MCT report. The Corporation's Chief Actuary has concluded that, based on this target, the future financial condition of this line of business is satisfactory. The Corporation is in compliance with this target.

The below chart depicts the components of Retained Earnings.

(in thousands of Canadian dollars)	Basic		Non-Basic			Total
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Capital Reserve (NB-CR)	Retained Earnings (NB-RE)	Personal Identification Card Fund (PICF)	Retained Earnings
Balance as at March 1, 2014	99,878	-	114,000	106,594	-	320,472
Net income (loss) from operations for the year	-	2,440	-	55,138	-	57,578
Transfer between RSR & B-RE	2,440	(2,440)	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	3,000	(3,000)	-	-
Transfer between NB-RE & RSR	75,500	-	-	(75,500)	-	-
Balance as at February 28, 2015	177,818	-	117,000	83,232	-	378,050
Net income (loss) from operations for the year	-	(56,050)	-	24,736	-	(31,314)
Transfer between RSR & B-RE	(56,050)	56,050	-	-	-	-
Transfer between NB-CR & NB-RE	-	-	4,000	(4,000)	-	-
Transfer between NB-RE & RSR	72,729	-	-	(72,729)	-	-
Transfer between NB-RE & PICF	-	-	-	(1,896)	1,896	-
Balance as at February 29, 2016	**194,497**	**-**	**121,000**	**29,343**	**1,896**	**346,736**

(in thousands of Canadian dollars)	**2016**	2015
RSR before transfer from Non-Basic Retained Earnings (NB-RE)	**121,768**	102,318
AOCI-Basic (Note 21)	**36,503**	35,262
	158,271	137,580
Transfer from NB-RE to RSR	**72,729**	75,500
Basic Target based on total equity	**231,000**	213,000

21. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

(in thousands of Canadian dollars)	Equity Investments	Other Investments	Total AOCI
Balance at March 1, 2014	98,495	(21,644)	76,851
Items that will not be reclassified to income			
Remeasurement of employee future benefits	-	(40,099)	(40,099)
Items that will be reclassified to income			
Unrealized gains (losses) on AFS assets	35,978	(1,289)	34,689
Reclassification of net realized (gains) losses related to AFS assets	(28,808)	744	(28,064)
Balance at February 28, 2015	105,665	(62,288)	43,377
Items that will not be reclassified to income			
Remeasurement of employee future benefits	-	32,395	32,395
Items that will be reclassified to income			
Unrealized losses on AFS assets	(65,985)	(331)	(66,316)
Reclassification of net realized losses related to AFS assets	33,370	401	33,771
Balance at February 29, 2016	**73,050**	**(29,823)**	**43,227**

(in thousands of Canadian dollars)	**2016**	2015
Basic AOCI at February 29/28	**36,503**	35,262
Non-Basic AOCI at February 29/28	**6,724**	8,115
Total AOCI at February 29/28	**43,227**	43,377

22. SERVICE FEES AND OTHER REVENUE

(in thousands of Canadian dollars)	**2016**	2015
Transaction fees	**8,141**	8,022
Time payment fees	**2,883**	2,796
Time payment interest	**16,084**	14,172
Late payment fees	**1,066**	1,079
Dishonoured payment fees	**992**	861
Identity card/Enhanced identity card fees	**401**	348
Other miscellaneous revenue	**1,413**	819
	30,980	28,097

23. THE *DRIVERS AND VEHICLES ACT* OPERATIONS RECOVERY

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

The Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payments to the Corporation are $27.9 million per year. Beginning April 1, 2016, the government will increase its payments to the Corporation to $29.4 million per year. Additionally, an annual indexing provision will be applied to the yearly funding for *The Drivers and Vehicles Act* administration.

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

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

(in thousands of Canadian dollars)	**2016**	2015
Vehicle registration fees	**182,818**	180,295
Driver licensing fees	**24,075**	23,918
	206,893	204,213

24. NET INCOME (LOSS) FROM OPERATIONS

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

(in thousands of Canadian dollars)	**2016**	2015
Basic insurance	**(56,050)**	2,440
Extension insurance	**26,644**	43,134
Special risk extension insurance	**4,650**	10,768
The *Drivers and Vehicles Act* operations	**(6,558)**	1,236
	24,736	55,138
Net income (loss) from operations	**(31,314)**	57,578

25. DISCONTINUED GENERAL INSURANCE OPERATIONS

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

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

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

Discontinued operations resulted in a net loss of $0.1 million (February 28, 2015 – $1.6 million net income) which is reported as part of the Special Risk Extension line of business (Note 24). Included in the provision for unpaid claims is $2.5 million (February 28, 2015 – $2.3 million) relating to discontinued operations.

26. COMMITMENTS

As of February 29, 2016, the Corporation has no material commitments.

27. RELATED-PARTY TRANSACTIONS

Key Management Personnel

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

(in thousands of Canadian dollars)	**2016**	2015
Short term benefits	**1,867**	1,606
Post-employment benefits	**121**	251
Other long-term benefits	**30**	24
Termination benefits	**338**	-
	2,356	1,881

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

Province of Manitoba

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

Accounts Payable and Accrued Liabilities includes $9.3 million (February 28, 2015 - $11.2 million) due to the Province of Manitoba.

28. INSURANCE AND FINANCIAL RISK MANAGEMENT

Insurance Risk

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

Financial Risk

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

Market Risk

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

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. At February 29, 2016, total foreign denominated financial instruments had a carry value of $139.1 million U.S. ($188.2 million Cdn) and £6.3 million GBP ($11.8 million Cdn) which is approximately 8.1% of the Corporation's investment portfolio.

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10.0 million. The currency swap provides a fixed 5.76% return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5% rate based on the U.S. $10.0 million par value of the bond and receives 5.76% return based on a Canadian dollar notional value of $13.4 million. As of February 29, 2016 the fair value of the swap was $14.8 million (February 28, 2015 - $15.4 million). The maturity date of the currency swap and the bond is July 15, 2023.

Interest Rate Risk

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

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

Bonds	Average Effective Rate - %	
	2016	2015
Federal	**1.89**	1.96
Provincial	**3.01**	2.25
Municipal	**3.19**	2.81
Hospitals	**2.01**	1.68
Schools	**4.73**	4.91
Corporations	**2.77**	2.52

As at February 29, 2016, a 100 basis point increase in interest rates would result in a decrease in the fair value of the Corporation's fixed income portfolio of approximately $147.7 million (February 28, 2015 - $107.2 million), whereas a 100 basis point decrease in interest rates would result in an increase in the fair value of the Corporation’s fixed income portfolio of approximately $120.2 million (February 28, 2015 - $131.0 million). As all of the Corporation’s marketable fixed income assets are now classified as FVTPL, all changes would affect net income.

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

Equity Price Risk

The fair value of equity securities held by the Corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 29, 2016, a 10.0% change in the fair value of the Corporation's equity portfolio would result in a $46.7 million (February 28, 2015 - $52.3 million) change in OCI.

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

Credit Risk

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

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

(in thousands of Canadian dollars)	**2016**	2015
Cash and cash equivalents	**37,322**	68,882
Bonds	**1,679,082**	1,707,151
Due from other insurance companies	**45**	443
Accounts receivable	**423,918**	387,909
Reinsurance receivable	**6,273**	8,118
Maximum credit risk exposure on the Statement of Financial Position	**2,146,640**	2,172,503

Fixed Income Securities Credit Risk

The Corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according primarily to Moody's Investors Service at February 29/28. All Manitoba municipal, schools and hospitals bonds are backed by the Province of Manitoba and, as such, have been assigned the credit rating of the Province of Manitoba Bonds.

	2016		2015	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
AAA	**26,298**	**1.6%**	211,548	12.4%
AA	**1,335,847**	**79.5%**	1,471,257	86.2%
A	**316,937**	**18.9%**	24,346	1.4%
	1,679,082	**100.0%**	1,707,151	100.0%

Accounts Receivable Credit Risk

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

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

(in thousands of Canadian dollars)	**2016**	2015
Policy and time payments	**379,383**	350,269
Accrued interest	**26,824**	25,684
Subrogation and other receivables	**41,581**	33,885
Allowance for doubtful accounts	**(23,870)**	(21,929)
Balance at February 29/28	**423,918**	387,909

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**2016**	2015
Balance at March 1	**21,929**	19,735
Accounts written off	**(4,737)**	(2,031)
Current period provision	**6,678**	4,225
Balance at February 29/28	**23,870**	21,929

Reinsurance Receivable Credit Risk

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of which there were $0.2 million outstanding as of February 29, 2016 (February 28, 2015 – nil). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place.

For the 2015/2016 fiscal year, ten reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5% to 35.0% on any one layer. The reinsurer exposed to 35.0% of the losses is licensed in Canada by the Office of the Superintendent of Financial Institutions and, therefore, subject to minimum capital requirements.

For the 2015/2016 fiscal year, 18 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 27.5% of the reinsurance exposure on any one layer.

No amount due from reinsurers was considered uncollectible during 2015/2016 and no allowance for doubtful accounts has been established as at February 29, 2016.

Structured Settlements Credit Risk

The Corporation has settled some insurance claims by purchasing structured settlements from life insurers. As of the Statement of Financial Position date, the present value of expected payments totals $142.0 million (February 28, 2015 – $158.1 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan.

Liquidity Risk

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

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

Bonds - maturity profile

	2016			
(in thousands of Canadian dollars)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total Fair Value**
Federal	**-**	**5,019**	**119,253**	**124,272**
Manitoba				
Provincial	**10,015**	**10,356**	**165,673**	**186,044**
Municipal	**92**	**5,266**	**29,791**	**35,149**
Hospitals	**10,167**	**-**	**-**	**10,167**
Schools	**-**	**23,490**	**591,370**	**614,860**
Other Provinces				
Provincial	**11,047**	**34,207**	**503,600**	**548,854**
Municipal	**-**	**7,750**	**97,512**	**105,262**
Corporations	**-**	**12,828**	**41,646**	**54,474**
	31,321	**98,916**	**1,548,845**	**1,679,082**

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

Liability Liquidity

	2016			
(in thousands of Canadian dollars)	**Within One Year**	**One Year To Five Years**	**After Five Years**	**Total Value**
Provision for unpaid claims Cash Flows - non-discounted, non-indexed	**310,406**	**289,176**	**1,114,203**	**1,713,785**

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

29. NON-CURRENT ASSETS AND LIABILITIES

The following table presents financial assets and liabilities the Corporation expects to recover or settle in 12 months or greater at February 29, 2016 and February 28, 2015.

(in thousands of Canadian dollars)	**2016**	2015
Assets:		
Bonds	**1,647,761**	1,695,367
Equity investments	**468,991**	520,753
Pooled real estate	**222,207**	204,847
Infrastructure and other investments	**85,342**	58,376
Reinsurers' share of unpaid claims	**5,640**	7,665
Total assets	**2,429,941**	2,487,008
Liabilities:		
Financing lease obligation	**4,189**	4,281
Provision for unpaid claims	**1,458,294**	1,500,458
Total liabilities	**1,462,483**	1,504,739
Net assets due after one year	**967,458**	982,269

30. RATE REGULATION

Under the provisions of *The Crown Corporations Public Review and Accountability Act,* the Public Utilities Board has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the Corporation. No new rates or fees for services can be introduced without the approval of the Public Utilities Board. This business comprises approximately 86% (February 28, 2015 - 88%) of the total business based on net claims incurred.

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

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

31. SUBSEQUENT EVENTS

No subsequent events have occurred after February 29, 2016.

32. CONTINGENT LIABILITIES

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