Quarterly Financial Report

1st QUARTER

Three months ended
May 31, 2016

Manitoba Public Insurance

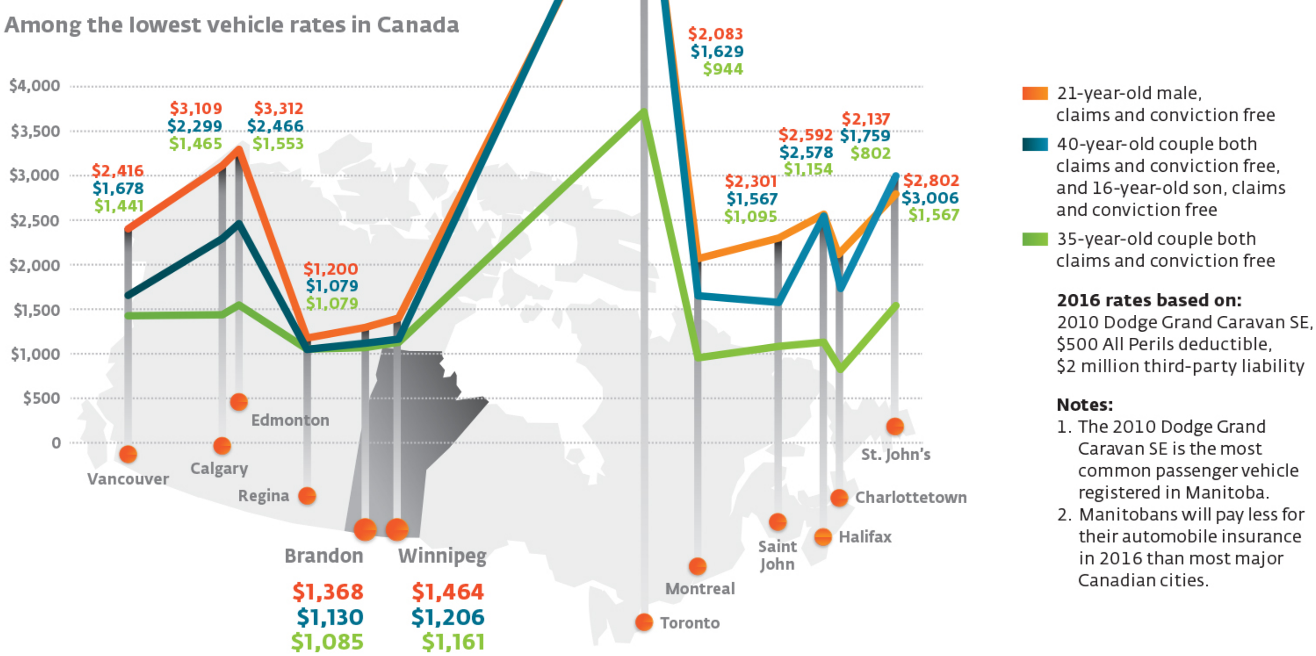
Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the first quarter ended May 31, 2016 included herein and the annual audited financial statements and supporting notes included in the Corporation's 2015 Annual Report. Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Goal 1

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

Why? One reason for our creation was to deliver the best insurance value to Manitobans. This is the essence of our continuing success.

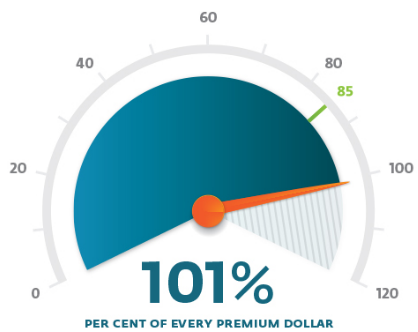


Goal 2

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

Why? Over the long-term, returns within this range strike the right balance. We pay back to Manitobans substantially more of their premiums than would private insurers, while keeping a sound financial footing.

Premium returned for each dollar earned



Past results

116%	114%	109%	100%	99%	98%	93%	101%
Q2–14/15	Q3–14/15	Q4–14/15	Q1–15/16	Q2–15/16	Q3–15/16	Q4–15/16	Q1–16/17

Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service

Why? By measuring key performance indicators, we can track the public's view of our performance.

Corporate Performance Index

Past results

3.4	3.5	3.6	3.5	3.5	3.6	3.6	3.5
Q2–14/15	Q3–14/15	Q4–14/15	Q1–15/16	Q2–15/16	Q3–15/16	Q4–15/16	Q1–16/17

Goal 4

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

Why? We value our customers and put their interests first. Also, Manitobans expect more from us than from private insurers, because Manitoba Public Insurance is their company. We believe their higher expectations are justified.

Overall, How Often We Meet/Exceed Standards

Past results

95% Q2-14/15	96% Q3-14/15	97% Q4-14/15	97% Q1-15/16	97% Q2-15/16	98% Q3-15/16	97% Q4-15/16	98% Q1-16/17

Customer satisfaction in major operational areas

Physical Damage Claims

Past results

84% Q2-14/15	83% Q3-14/15	87% Q4-14/15	88% Q1-15/16
87% Q2-15/16	89% Q3-15/16	88% Q4-15/16	87% Q1-16/17

Bodily Injury Claims

Past results

81% Q3-14/15	83% Q1-15/16
81% Q3-15/16	86% Q1-16/17

Driver and Vehicle Licensing

Past results

93% Q2–14/15	**92%** Q3–14/15	**91%** Q4–14/15	**91%** Q1–15/16
91% Q2–15/16	**93%** Q3–15/16	**91%** Q4–15/16	**92%** Q1–16/17

Insurance Operations Policyholder Transactions

Past results

92% Q2–14/15	**89%** Q3–14/15	**88%** Q4–14/15	**90%** Q1–15/16
89% Q2–15/16	**90%** Q3–15/16	**91%** Q4–15/16	**90%** Q1–16/17

Goal 5

Total equity will be maintained within established target levels.

Why? Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the total equity within its target range helps us control rates. Manitobans deserve stable, affordable premiums over the long term.

Basic Total Equity

Past results

Actual Target	**231.0** 231.0 Year-End–Feb. 28, 2016	**264.8** 231.0 Q1–16/17

Extension Total Equity

Past results

Actual Target	**88.3** 71.0 Year-End–Feb. 28, 2016	**98.7** 71.0 Q1–16/17

SRE Total Equity

Past results

Actual Target	**70.7** 50.0 Year-End–Feb. 28, 2016	**75.0** 50.0 Q1–16/17

Goal 6

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

Why? We value our employees.

Employee Engagement

Q1–15/16

Goal 7

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

Why? Pursuing traffic safety and loss-prevention programs reflects our long standing commitment to the well-being of Manitobans and to affordable auto insurance. Manitobans have told us they support these efforts.

Public Support for Road Safety

Past results

88% Q4–12/13	**87%** Q4–13/14	**87%** Q4–14/15	**89%** Q4–15/16

Results of Operations

Manitoba Public Insurance reported net income of $3.7 million for the three months ended May 31, 2016 compared to net income of $23.0 million for the same period last year. This includes net loss of $5.0 million (2015 – net income of $19.8 million) from the Basic insurance line of business. Corporate net income decreased from the previous year by $19.3 million due to:

i) an increase in earned revenues of $14.2 million, offset by an increase in total expenses of $3.4 million;
ii) an increase in claims cost of $85.4 million;
iii) an increase in investment income of $55.3 million mainly due to the increase of unrealized gains on Fair Value Through Profit or Loss bonds of $63.1 million, offset by lower gains on the sale of Fair Value Through Profit or Loss bonds of $7.9 million.

Current Year and Last Year

Total earned revenues for the three months ended May increased from the previous year by $14.2 million. This increase is primarily attributed to motor vehicle earned revenues which increased by $11.5 million or 4.9%. The increase in earned revenues is primarily due to the growth in the number of vehicles on the road in Manitoba, and the value of these vehicles and movement of drivers down the Drivers Safety Rating scale resulted in higher premiums.

Claims costs for the three months ended May 31, 2016 increased by $85.4 million or 48.1% compared to last year due primarily to an increase of $58.2 million or 274.5% in bodily injury claims incurred and an increase of $25.4 million or 21.1% in physical damage claims incurred. The $58.2 million increase in bodily injury claims was impacted by an increase of $69.0 million due to the interest rate adjustment on unpaid claims. Collision claims increased by 1,380 claims compared to last year, representing an increase of $15.3 million in collision claims incurred. This increase contributed significantly to the physical damage claims incurred. Claims expense and road safety and loss prevention expenses collectively increased by $1.7 million or 4.8% from the previous year.

Total expenses increased by $3.4 million compared to last year due primarily to an increase of $2.2 million or 7.5% in operating expenses, an increase of $0.6 million or 3.1% in commission expenses, an increase of $0.4 million or 5.2% in premium taxes and an increase of $0.2 million or 33.1% in regulatory and appeal costs.

Retained Earnings

Net income of $3.7 million for the first three months ending May 31, 2016 increased retained earnings from $346.7 million to $350.5 million (May 31, 2015 – $401.1 million). Retained earnings are comprised of $189.5 million for Basic insurance (May 31, 2015 - $197.7 million) and $161.0 million for non-Basic lines (May 31, 2015 - $203.4 million).

Total Equity

Total equity of $438.5 million (May 31, 2015 – $434.1 million) are comprised of $350.5 million retained earnings and $88.0 million accumulated other comprehensive income (May 31, 2015 - $33.0 million).

The Corporation's Chief Actuary concluded that a minimum total equity level of $231.0 million would be required for Basic to achieve satisfactory future financial condition. At the end of the first quarter, Basic insurance reported total equity of $264.8 million (May 31, 2015 – $225.7 million). Extension's current capital target level for total equity is $71.0 million based on the 2015 MCT report. At the end of the first quarter, Extension insurance reported total equity of $98.7 million (May 31, 2015 - $146.7 million). Special Risk Extension's current capital target level for total equity is $50.0 million based on the 2015 MCT report. At the end of the first quarter, Special Risk Extension insurance reported total equity of $75.0 million (May 31, 2015 - $61.7 million).

Outlook

The Corporation remains committed to achieving its seven Corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

As approved by the Public Utilities Board (PUB), effective March 1, 2016, there was a zero per cent overall rate increase to average Basic insurance rates for the 2016/17 insurance year. For the 2017/18 insurance year, Manitoba Public Insurance is requesting a two percent overall rate increase in its general rate application. This increase is driven primarily by an unprecedented year for comprehensive claims payout. If approved, this would be only the 3rd time in 10 years that Manitoba's public auto insurer has requested a rate increase.

Overall:

- 674,894 vehicles (excluding trailers and off-road vehicles) will receive increases in their Basic premium next year, while 172,525 vehicles will receive decreases. 7,175 vehicles will receive no change.
- The average vehicle premium for Private Passenger Vehicle Class will be $1,018 if the 2017 rate application is approved
- Motorcycle rates (including moped and motor scooters) will decrease 1.7 per cent
- If approved, rate changes will take effect March 1, 2017

Manitoba Public Insurance is committed to keeping rates stable over the long term. Manitoba Public Insurance continues to have one of the lowest rates of year-over-year premium increases of all Canadian provinces. Manitoba Public Insurance continued to exceed its mandate for the Basic plan of returning at least 85 cents of every dollar collected in Basic premiums to Manitobans in the form of claims benefits. For 2015/16, the return was 93 cents on every dollar.

Condensed Interim Financial Statements

Condensed Interim Statement of Financial Position

(Unaudited - in thousands of Canadian dollars)	*Notes*	May 31, 2016	February 29, 2016
Assets			
Cash and cash equivalents	*5*	**52,323**	37,322
Investments	*5*	**2,501,751**	2,455,622
Investment property	*5*	**41,916**	42,206
Due from other insurance companies		**25**	45
Accounts receivable		**425,743**	423,918
Prepaid expenses		**6,131**	2,318
Deferred policy acquisition costs		**28,731**	28,844
Reinsurers' share of unearned premiums		**11,659**	115
Reinsurers' share of unpaid claims		**2,756**	6,445
Property and equipment		**114,515**	115,652
Deferred development costs		**78,988**	78,430
		3,264,538	3,190,917
Liabilities			
Due to other insurance companies		**7,912**	178
Accounts payable and accrued liabilities		**58,839**	66,035
Financing lease obligation		**4,258**	4,281
Unearned premiums		**567,417**	560,548
Provision for employee current benefits		**23,714**	22,685
Provision for employee future benefits		**382,195**	378,117
Provision for unpaid claims	*4*	**1,781,703**	1,769,110
		2,826,038	2,800,954
Equity			
Retained Earnings		**350,481**	346,736
Accumulated Other Comprehensive Income		**88,019**	43,227
Total Equity		**438,500**	389,963
		3,264,538	3,190,917

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

Condensed Interim Statement of Operations

(Unaudited - in thousands of Canadian dollars)	Notes	Three Months Ended May 31, 2016	May 31, 2015
Earned Revenues			
Gross premiums written		**312,817**	**304,340**
Premiums ceded to reinsurers		**(15,452)**	**(16,375)**
Net premiums written		**297,365**	**287,965**
(Increase) decrease in gross unearned premiums		**(34,037)**	**(39,410)**
Increase (decrease) in reinsurers' share of unearned premiums		**11,545**	**12,248**
Net premiums earned		**274,873**	**260,803**
Service fees & other revenue		**7,717**	**7,789**
The Drivers and Vehicles Act operations recovery		**7,225**	**6,975**
Total Earned Revenues		**289,815**	**275,567**
Claims Costs			
Direct claims incurred - gross		**224,730**	**142,203**
Claims (recovered) incurred ceded to reinsurers		**407**	**(708)**
Net claims incurred		**225,137**	**141,495**
Claims Expense		**34,926**	**33,449**
Loss prevention/Road safety		**2,976**	**2,715**
Total Claims Costs		**263,039**	**177,659**
Expenses			
Operating		**32,034**	**29,799**
Commissions		**19,298**	**18,709**
Premium taxes		**8,363**	**7,948**
Regulatory/Appeal		**962**	**723**
Total Expenses		**60,657**	**57,179**
Underwriting income (loss)		**(33,881)**	**40,729**
Investment income (loss)	*6*	**37,626**	**(17,729)**
Net income from operations		**3,745**	**23,000**

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)	Three Months Ended May 31, 2016	May 31, 2015
Net income from operations	**3,745**	**23,000**
Other Comprehensive Income (Loss)		
Items that will be reclassified to income		
Unrealized gains (losses) on Available for Sale assets	**47,435**	**(8,033)**
Reclassification of net realized (gains) losses related to Available for Sale assets	**(2,643)**	**(2,278)**
Other Comprehensive Income (Loss) for the period	**44,792**	**(10,311)**
Total Comprehensive Income	**48,537**	**12,689**

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

Condensed Interim Statement of Changes in Equity

(Unaudited - in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2015	378,050	43,377	421,427
Net income from operations for the period	23,000	-	23,000
Other comprehensive income (loss) for the period	-	(10,311)	(10,311)
Balance as at May 31, 2015	401,050	33,066	434,116
Balance as at March 1, 2016	346,736	43,227	389,963
Net income from operations for the period	3,745	-	3,745
Other comprehensive income for the period	-	44,792	44,792
Balance as at May 31, 2016	**350,481**	**88,019**	**438,500**

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

Condensed Interim Statement of Cash Flows

(Unaudited - in thousands of Canadian dollars)	*Notes*	Three months ended May 31, 2016	Three months ended May 31, 2015
Cash Flows from (to) Operating Activities:			
Net income (loss) from operations		**3,745**	23,000
Non-cash items:			
Depreciation of property and equipment		**1,307**	1,460
Amortization of deferred development costs		**3,815**	3,614
Amortization of bond discount and premium		**865**	786
(Gain) loss on sale of investments		**(4,675)**	(12,169)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**(12,835)**	50,312
Unrealized (gain) loss on investment in real estate		**(3,779)**	(2,652)
Unrealized (gain) loss on investment in infrastructure		**520**	(351)
		(11,037)	64,000
Net change in non-cash balances:			
Due from other insurance companies		**21**	276
Accounts receivable and prepaid expenses		**(5,639)**	58,599
Deferred policy acquisition costs		**113**	(605)
Reinsurers' share of unearned premiums and unpaid claims		**(7,856)**	(12,749)
Due to other insurance companies		**(58,124)**	8,173
Accounts payable and accrued liabilities		**54,558**	(89,254)
Unearned premiums		**6,869**	11,581
Provision for employee current benefits		**1,029**	498
Provision for employee future benefits		**4,078**	4,046
Provision for unpaid claims		**12,593**	(48,149)
		7,642	(67,584)
		(3,395)	(3,584)
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(202,376)**	(524,278)
Proceeds from sale of investments		**221,234**	502,506
Acquisition of property and equipment net of proceeds from disposals		**(170)**	(397)
Financing lease obligation		**4,080**	(19)
Deferred development costs incurred		**(4,372)**	(3,934)
		18,396	(61,582)
Increase (decrease) in Cash and Cash Equivalents		**15,001**	(29,706)
Cash and short-term investments beginning of period		**37,322**	68,882
Cash and Cash Equivalents end of period	*5*	**52,323**	39,176

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

Notes to Financial Statements

1) Status of the Corporation

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

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

Under *The Drivers and Vehicles Act (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).

Basis of Presentation

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

These statements are presented in thousands of Canadian dollars 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 of the 2015 Annual Report. 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).

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

Refer to the 2015 Annual Audited Financial Statements for a summary outlining those accounting policies followed by the Corporation that have a significant effect on the condensed interim financial statements.

4) Provision for Unpaid Claims

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

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

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

5) Cash and Investments

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

Cash equivalent investments have a total principal amount of $53.9 million (2015 – $44.8 million) comprised of provincial short-term deposits with effective interest rates of 0.54% to 0.55% (2015 - 0.63% to 0.70%), 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 (2015 - $5.0 million). There were no drawdowns against this line of credit at May 31, 2016 (2015 – nil).

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments				
As at May 31, 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	52,323	-	-	-	52,323
Bonds					
Federal	-	-	186,591	-	186,591
Manitoba:					
Provincial	-	-	188,602	-	188,602
Municipal	-	8,855	27,202	-	36,057
Hospitals	-	-	-	-	-
Schools	-	604,054	-	-	604,054
Other provinces:					
Provincial	-	-	511,038	-	511,038
Municipal	-	-	87,286	-	87,286
Corporations	-	-	57,623	-	57,623
	-	612,909	1,058,342	-	1,671,251
Other investments	1,792	-	-	-	1,792
Infrastructure	-	-	82,706	-	82,706
Equity investments	520,015	-	-	-	520,015
Pooled Real Estate Fund	-	-	225,987	-	225,987
Investments	521,807	612,909	1,367,035	-	2,501,751
Investment property	-	-	-	41,916	41,916
	574,130	612,909	1,367,035	41,916	2,595,990

(in thousands of Canadian dollars)	Financial Instruments				
As at May 31, 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	39,176	-	-	-	39,176
Bonds					
Federal	-	-	174,408	-	174,408
Manitoba:					
Provincial	-	-	197,746	-	197,746
Municipal	-	10,499	25,438	-	35,937
Hospitals	-	-	10,654	-	10,654
Schools	-	616,364	-	-	616,364
Other provinces:					
Provincial	-	-	483,692	-	483,692
Municipal	-	-	110,865	-	110,865
Corporations	-	-	54,831	-	54,831
	-	626,863	1,057,634	-	1,684,497
Other investments	2,446	-	-	-	2,446
Infrastructure	-	-	56,281	-	56,281
Equity investments	516,284	-	-	-	516,284
Pooled Real Estate Fund	-	-	207,498	-	207,498
Investments	518,730	626,863	1,321,413	-	2,467,006
Investment property	-	-	-	42,121	42,121
	557,906	**626,863**	**1,321,413**	**42,121**	**2,548,303**

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

As at May 31, 2016

(in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	**353,331**	**121,908**	**475,239**
With unrealized (losses)	**48,673**	**(3,897)**	**44,776**
Subtotal – Equity Investments	**402,004**	**118,011**	**520,015**
Other Investments			
With unrealized gains	**399**	**1,393**	**1,792**
With unrealized (losses)	**-**	**-**	**-**
Subtotal – Other Investments	**399**	**1,393**	**1,792**
Total AFS Equity and Other Investments	**402,403**	**119,404**	**521,807**

As at May 31, 2015

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	310,796	112,328	423,124
With unrealized (losses)	110,133	(16,973)	93,160
Subtotal – Equity Investments	420,929	95,355	516,284
Other Investments			
With unrealized gains	791	1,562	2,353
With unrealized (losses)	164	(71)	93
Subtotal – Other Investments	955	1,491	2,446
Total AFS Equity and Other Investments	421,884	96,846	518,730

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.

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 May 31, 2016 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**152,735**	**890,845**	**14,762**
Infrastructure	**-**	**-**	**82,706**
Pooled real estate	**-**	**221,339**	**4,648**
Total FVTPL financial assets	**152,735**	**1,112,184**	**102,116**
AFS financial assets			
Cash and cash equivalents	**52,323**	**-**	**-**
Other investments	**-**	**-**	**1,792**
Equity investments	**520,015**	**-**	**-**
Total AFS financial assets	**572,338**	**-**	**1,792**
Total assets measured at fair value	**725,073**	**1,112,184**	**103,908**

As at May 31, 2015 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	130,123	912,031	15,480
Infrastructure	-	-	56,281
Pooled real estate	-	207,498	-
Total FVTPL financial assets	130,123	1,119,529	71,761
AFS financial assets			
Cash and short term investments	39,176	-	-
Other investments	-	-	2,446
Equity investments	516,284	-	-
Total AFS financial assets	555,460	-	2,446
Total assets measured at fair value	685,583	1,119,529	74,207

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2016**	2015	**2016**	2015
Balance at March 1	**102,637**	71,410	**2,115**	2,446
Total gains/(losses)				
Included in net income	**(521)**	351	**238**	-
Included in other comprehensive income	**-**	-	**(169)**	-
Purchases		2,029	**-**	-
Sales	**-**	-	**(392)**	-
Balance at May 31	**102,116**	71,761	**1,792**	2,446

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value.

6) Investment Income

(in thousands of Canadian dollars)	**May 31, 2016**	May 31, 2015
Interest income	**12,562**	13,170
Gain (loss) on sale of FVTPL bonds	**2,032**	9,890
Unrealized gain(loss) on FVTPL bonds	**12,835**	(50,312)
Unrealized gain on pooled real estate	**3,779**	2,652
Dividends on infrastructure investments	**550**	512
Unrealized gain on infrastructure investments	**(520)**	351
Dividend income	**3,797**	3,962
Gain on sale of equities and other investments	**2,643**	2,310
Gain on foreign exchange	**(41)**	6
Income from investment property	**693**	794
Investment management fees	**(704)**	(1,064)
Total Investment income (loss)	**37,626**	(17,729)

7) Employee Future Benefits Expense

The total benefits costs included in expenses are as follows:

(in thousands of Canadian dollars)	**May 31, 2016**	May 31, 2015
Pension benefits	**6,481**	6,453
Other post-employment benefits	**453**	443
Total	**6,934**	6,896

8) Depreciation and Amortization

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

(in thousands of Canadian dollars)	**May 31, 2016**	May 31, 2015
Amortization – Deferred Development	**3,815**	3,614
Depreciation – Property and equipment	**1,307**	1,460
Total	**5,122**	5,074

Manitoba Public Insurance Locations

Customer Service

Winnipeg
Tel: 204-985-7000

Outside Winnipeg
Tel: 800-665-2410

Deaf Access TTY/TDD
Tel: 204-985-8832

Out-of-Province Claims
Tel: 800-661-6051

Administrative Offices

Winnipeg
234 Donald Street
Box 6300
R3C 4A4

Brandon
731–1st Street
R7A 6C3

Service Locations

Winnipeg Service Centres
15 Barnes Street
40 Lexington Park
1284 Main Street
930 St. Mary's Road
125 King Edward Street East
1103 Pacific Avenue
420 Pembina Highway

CITYPLACE
Service Centre – Main Floor
ID Verification and Data Integrity
Rehabilitation Management Centre
Serious and Long-Term Case Management Centre
Bodily Injury Centre
234 Donald Street

Physical Damage Centre
Holding Compound/Receiving
Salvage
Commercial Claims
1981 Plessis Road

Arborg
Service Centre
323 Sunset Boulevard

Beausejour
Service Centre
848 Park Avenue

Brandon
Service Centre
731–1st Street

Dauphin
Service Centre
217 Industrial Road

Flin Flon
Claim Centre
8 Timber Lane

Portage la Prairie
Service Centre
2007 Saskatchewan Avenue West

Selkirk
Service Centre
1008 Manitoba Avenue

Steinbach
Service Centre
91 North Front Drive

Swan River
Claim Centre
125-4th Avenue North

The Pas
Claim Centre
424 Fischer Avenue

Thompson
Service Centre
53 Commercial Place

Winkler
Service Centre
355 Boundary Trail

For more information contact:

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Manitoba Public Insurance