

In Focus

**MANITOBA PUBLIC INSURANCE**  
2016 ANNUAL REPORT



**Manitoba  
Public Insurance**

# In Focus

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Dedicated to achieving value for Manitobans and guided by our founding principles, we continue to work together to reduce risk on the road.

Manitoba Public Insurance is a provincial Crown corporation that has provided automobile insurance coverage since 1971. We assumed a broader spectrum of services in 2004, when we merged driver and vehicle licensing into our operations. The Corporation is governed by *The Manitoba Public Insurance Corporation Act* and *The Drivers and Vehicles Act*.

This annual report is available in French at [mpi.mb.ca](http://mpi.mb.ca).  
Le rapport annuel est disponible en français sur le site Web [mpi.mb.ca](http://mpi.mb.ca).

## Table of Contents

2 /	Letters of Transmittal	16 /	In Focus: Facilitating Proper and Accountable Collision Repair
3 /	2016/17 Year-end Summary	20 /	In Focus: Protecting Manitobans Through Superior Coverage
4 /	Message from the Chairperson	22 /	In Focus: Connecting With Our Communities
5 /	Board of Directors	26 /	Management Discussion & Analysis
6 /	Message from the President and Chief Executive Officer	42 /	Condensed Financial Statements
6 /	Executive Team	47 /	Notes to Condensed Financial Statements
8 /	Value for Manitobans	53 /	Manitoba Public Insurance Locations
10 /	In Focus: Creating Exceptional Customer Experiences		
12 /	In Focus: Keeping Rates Affordable Through Prevention		



## Letters of Transmittal



May 31, 2017

The Honourable Ron R. Schuler  
Minister of Crown Services and Minister  
Charged with the Administration of *The  
Manitoba Public Insurance Corporation Act*  
Room 343, Legislative Building  
450 Broadway  
Winnipeg, MB R3C 0V8

Dear Minister,

In accordance with Section 43(1) of *The  
Manitoba Public Insurance Corporation Act*,  
I am pleased to submit the Annual Report of  
the Manitoba Public Insurance Corporation  
for the fiscal year ended February 28, 2017.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Brent VanKoughnet'.

**Brent VanKoughnet**  
CHAIRPERSON OF THE BOARD



May 31, 2017

The Honourable Janice C. Filmon, C.M., O.M.  
Lieutenant Governor of the  
Province of Manitoba  
Room 235, Legislative Building  
450 Broadway  
Winnipeg, MB R3C 0V8

May it please your Honour,

I have the privilege of presenting the Annual  
Report of the Manitoba Public Insurance  
Corporation for the fiscal year ended  
February 28, 2017.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ron R. Schuler'.

**Ron R. Schuler**  
MINISTER OF CROWN SERVICES  
MINISTER CHARGED WITH THE ADMINISTRATION OF  
*THE MANITOBA PUBLIC INSURANCE CORPORATION ACT*

## 2016/17 Year-end Summary

### Dollars and Cents

Approximate Autopac claims paid per working day	\$3.0 million
Total Autopac claims paid for injury and property damage occurring in 2016/17, respectively (before expenses)	\$156.0 million and \$596.1 million
Amounts paid by Manitoba Public Insurance to Manitoba medical practitioners on behalf of customers	\$32.1 million
Commissions paid by Manitoba Public Insurance to independent insurance brokers for product sales	\$78.6 million
Grants-in-lieu of taxes paid to Manitoba municipalities by Manitoba Public Insurance	\$1.9 million
Provincial premium taxes paid by Manitoba Public Insurance	\$34.7 million
Dollars invested in road safety programs	\$14.8 million
Potential savings to policyholders through use of recycled parts made available for use in claims repairs	\$11.1 million
Estimated direct savings to policyholders through subrogation	\$13.1 million

### Significant Numbers

Average number of Autopac claims reported to Manitoba Public Insurance per working day	1,220
Total Autopac claims reported	303,878
Bodily injury claims reported	17,273
Property damage claims reported	286,605
Total theft claims reported in Winnipeg	2,115
Total theft claims reported elsewhere in province	861
Number of Autopac policies in force (average)	1,131,177

### Corporate Five-Year Statistics

	2016/17	2015/16	2014/15	2013/14	Restated 2012/13
Premiums written (\$000)	<b>1,153,420</b>	1,103,185	1,026,555	977,992	936,271
Claims incurred (\$000)	<b>981,298</b>	770,624	844,875	861,137	746,482
Number of claims	<b>303,878</b>	297,957	273,244	287,741	287,105
Average cost per claim (\$)	<b>3,229</b>	2,586	3,092	2,993	2,600
Claim expenses (\$000)	<b>137,103</b>	134,511	134,247	132,563	126,848
Other expenses (\$000)	<b>254,273</b>	250,510	247,217	239,219	248,885
Net income (loss) (\$000)	<b>(85,204)</b>	(31,314)	57,578	(44,846)	(34,940)
Net income (loss) after surplus distribution (\$000)	<b>(85,204)</b>	(31,314)	57,578	(44,846)	(34,940)
Investments at year-end (\$000)	<b>2,648,305</b>	2,523,111	2,599,971	2,443,390	2,328,567
Total assets (\$000)	<b>3,349,799</b>	3,190,917	3,215,049	3,028,171	2,881,133

## Message from the Chairperson

During the 2016/17 insurance year, the focus of Manitoba Public Insurance was on demonstrating value for Manitobans by offering universal comprehensive automobile insurance products and services at rates that remain among the lowest in all of Canada.

The Board of Directors was appointed by the Government of Manitoba in May 2016. Over the past year, the Board has exercised its due diligence in evaluating the long-term financial strength of Manitoba Public Insurance and its ability to continue delivering best-in-class automobile insurance coverage at rates that are stable and predictable. The Board has also been guided by the Crown Services Framework Letter issued by the Honourable Ron R. Schuler, Minister of Crown Services. The Framework Letter, which is a public document, called on the Board to examine opportunities to reduce red tape, provide quality service, strengthen accountability, and deliver value for money.

It is the Board of Directors' view that in order to continue meeting the expectations of its customers, and indeed all Manitobans; Manitoba Public Insurance must fulfill two key promises.

The first of these promises is to ensure that when Manitobans sustain injury or vehicle damage as a result of an insured loss, or are legally liable for damage to others or their property, the insurance coverage provided by Manitoba Public Insurance will provide adequate compensation for economic loss. In response, the Corporation regularly reviews the insurance products and services it offers to ensure we continue to meet the evolving needs of our customers.

The second promise is that as an organization, we will continuously evaluate our policies and procedures, streamline our operations, reduce operating costs, and implement evidence-based loss prevention programs to control claims frequency and severity; both of which directly impact the premiums that must be charged to cover anticipated claims costs.

The Board of Directors believes strongly that because Manitobans have entrusted the Corporation with exclusive authority to provide automobile insurance coverage under the Basic compulsory program, the Board—in turn—has an obligation to ensure that Manitoba Public Insurance is adhering to best practices in insurance and demonstrating strong performance management that will return value to Manitobans.

In this regard, independent benchmarking by The Ward Group and Gartner, and assessment by the Corporation's external auditor and appointed external actuary, confirm that Manitoba Public Insurance is appropriately managed and meeting most performance measures against which other insurance companies in Canada and North America are judged.

Nevertheless, over the past year the Board of Directors has worked with management of the Corporation to execute on an aggressive and proactive fiscal restraint strategy that includes a reduction in management employees, a general wage freeze for managers, the elimination of one layer of management, and a zero per cent increase in the 2017/18 operating budget. Reductions in discretionary spending on corporate sponsorships and low-return road safety promotions are also being examined. The Board also expects the Physical Damage Re-engineering Project, which was substantially implemented in 2016/17, will reduce overall claims incurred and produce significant operational savings in 2017 and beyond.

The Board remains concerned that the Basic insurance program is financially vulnerable due to significant undercapitalization from historical rate setting criteria.



Natural volatility from financial markets or unexpected increases in claims cannot be effectively absorbed without adequate reserves. This vulnerability, in turn, makes it difficult to protect vehicle owners from potentially large and unpredictable premium increases in the future. Losses in 2016/17 and recent years have magnified these capitalization and premium stability concerns. The new Board does however remain optimistic that these issues can be resolved collaboratively with the Public Utilities Board, given our shared intent to meet the long-term best interests of Manitobans.

Our focus on fiscal prudence, combined with our commitment to working collaboratively with the Public Utilities Board to resolve outstanding issues related to the rate setting process, have a direct financial benefit for Manitoba ratepayers. By providing superior coverage and products coupled with among the most affordable auto insurance rates in the nation, we will continue providing a valuable service to the province as a whole. In addition to our direct service to individual Manitobans, we understand the significance of the Corporation's more than \$1 billion annual economic activity.

This past year has been an excellent opportunity for all members of the Board of Directors, including myself, to learn about Manitoba Public Insurance's value and the services we provide.

As we look ahead to the next year, our focus will be to continue working with the Corporation's executive team to establish a strategic framework to guide Manitoba Public Insurance into the future.

I would like to acknowledge the commitment of the executive team, led by Dan Guimond, President and CEO, who have assisted the Board during this past year of transition, and who strive every day to implement the Corporation's mission and values. I also want to acknowledge all employees of Manitoba Public Insurance who are the face of the Corporation that thousands of Manitobans interact with every day. Operating in a low interest rate environment puts financial pressures on any insurance company and Manitoba Public Insurance is no exception. During this time of necessary fiscal restraint, I am grateful to our employees for their efforts in continuing to provide high-quality service that our customers deserve and expect.

The Board of Directors of Manitoba Public Insurance continues to put the needs and values of Manitobans as our primary focus. We look forward to continuing to build on this commitment in the coming year.



**Brent VanKoughnet**  
CHAIRPERSON OF THE BOARD

## Board of Directors

**Left to right**

- DOMENIC GRESTONI
- TAMMY SCHOCK
- DAN GUIMOND,  
*Ex-Officio*
- EDNA NABESS
- RICHARD CHALE
- JEFF WHARTON
- VALERIE WOWRYK
- BRENT VANKOUGHNET,  
*Chairperson*
- DAN BUBIS



## Message from the President and Chief Executive Officer



Providing superior coverage and service to our customers; building value from which Manitobans will benefit, and preparing for the future of the automotive repair industry. These aspects of our business were the key components focused on by your executive team in the 2016/17 year.

### Executive Team

#### Left to right

**MIKE TRIGGS**  
*General Counsel and  
Corporate Secretary*

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

**WARD KEITH**  
*Vice-President,  
Business Development  
& Communications and  
Chief Administrative Officer*

**DAN GUIMOND**  
*President and Chief  
Executive Officer*

**SHANNON LEPPKY**  
*Vice-President,  
People and Product*

**PETER YIEN**  
*Acting Vice-President,  
Finance and Chief  
Financial Officer*

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

In the past year, finding innovative ways to streamline our operations to deliver on our strategic goals in the most cost-effective manner has continued to be the focus of Manitoba Public Insurance. With this strategy in mind, throughout the 2016/17 year, the Corporation has continued to provide quality, cost-effective service that Manitobans can rely on and be proud of.

One of our greatest priorities this year has been to position ourselves for long-term financial stability with diligent efforts to streamline our operations and control operating costs. We strive to maximize operating efficiencies in a manner that does not impact our service commitment to customers. These efforts have resulted in operating budget reductions of more than \$10 million since 2014, with more than \$30 million in additional operating budget reductions identified through to the end of the 2019/20 fiscal year.

Our loss prevention and road safety priorities for 2016/17 focused on the key contributing factors to motor vehicle collisions: distracted driving, impaired driving and speed. Cycling, pedestrian and motorcycle safety also remain key priorities. We are committed to continuing our work with road safety partners to find innovative ways to positively influence driving behaviour with a view to reducing collisions, claims and claim costs.

This directly benefits all ratepayers because lower claim costs translate to lower premiums. This is also why we continue to enhance the High School Driver Education program, through which approximately 12,000 new teen drivers receive access to professional driver education and in-vehicle driver training annually. In the past year we piloted new technologies and online learning in the high school program. Our work will continue in 2017 as we redevelop the program curriculum to place greater focus on the higher-order competencies of judgment, decision making, attitude, hazard perception and propensity to take risks.

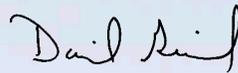
We also continue to invest in efficiencies to better serve our customers. In 2016, we reached an historic agreement with Manitoba's collision repair industry that helps the industry prepare for rapid changes in vehicle design, construction and advanced technologies that have a significant impact on the reparability of these vehicles. Our objective is to work collaboratively with the collision repair industry to ensure that when vehicles are damaged in collisions they will be safely repaired back to original vehicle manufacturer standards. Doing so protects the insurable interests of vehicle owners while ensuring the safety of repaired vehicles is never compromised if involved in subsequent collisions.

Our Physical Damage Re-engineering Project was also substantially completed in 2016 and will result in significant cost savings and operational efficiencies in 2017 and beyond. Our Direct Repair and Direct Repair Plus programs were also developed in 2016 and now give customers with eligible claims the option of going directly to a repair facility for a first vehicle damage estimate.

In addition to our efforts to streamline operations, control operating costs and enhance our products and services, we are also committed to continuing to work collaboratively with the Public Utilities Board of Manitoba to ensure the Basic compulsory program operates on a self-sustaining basis; thus allowing Manitoba Public Insurance to break even on a go-forward basis. Doing so requires an adequately-sized Rate Stabilization Reserve that can be used to absorb variations in revenues, claims costs, and ongoing volatility in the financial markets. Ultimately, this allows the Corporation to deliver on its commitment to providing Manitobans with insurance rates that are stable, predictable, and remain among the lowest in all of Canada.

I would like to extend sincere thanks to our Board of Directors for their guidance, their insightful questions, and the manner in which they challenge our operations and historical perspectives. I would also like to acknowledge the work of the executive team at Manitoba Public Insurance, and of course, all of our employees who continue to contribute to our corporate success through a culture of collaboration, innovation and accountability.

As we look to the year ahead, I look forward to continuing to build on our positive relationships with our customers, the Public Utilities Board and all our stakeholders across the province. I am also excited to continue the work undertaken by our Board of Directors, executive team and all Manitoba Public Insurance employees to continue our focus on providing services and coverage from which all Manitobans benefit.



**Dan Guimond**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



# Value for Manitobans

Manitoba Public Insurance has a proud 45-plus year history of providing comprehensive automobile insurance coverage at rates that are predictable, stable, and among the lowest in all of Canada. This focus continues to drive our efforts towards providing world-class insurance coverage and helping to create safe roads for everyone. We accomplish this by providing economic value, affordable rates and collaborative community outreach opportunities.

Extensive universal coverage at a reasonable price is the cornerstone of the Corporation's founding principles. This focused mandate has driven every decision we've made, every program we've created and every interaction we've had with our customers—the people of Manitoba—since 1971.

Over the years, we have continually honed our service delivery model to provide our customers with cost-effective protections and services in our Basic insurance plan.

Demonstrating our dedication to cost containment and our commitment to providing Manitobans with automobile insurance rates that continue to be among the lowest in Canada, we have taken specific and direct actions through our strategic Value Equation.

Given the continuous advances in technology and the changing automotive industry, the Corporation also continues to refine and adapt our products and services with our customers and business partners in mind.

This continued in 2016 as we finalized an historic agreement with the automobile repair industry that helps the industry prepare for rapid changes in design, construction and advanced technology affecting the reparability of vehicles.

We also added value by working with industry to develop Direct Repair and Direct Repair Plus, which now allow a customer the option to take an eligible damage claim directly to an accredited repair shop to complete a first estimate. Creating not only convenience for customers, these new programs will also enable the Corporation and repair shops to work together to maximize efficiencies in the estimating process.

The growth and increasing diversity within Manitoba's population has required us to create new driver outreach and education programs to promote safe driving behaviours.

To foster positive habits and promote road safety in order to reduce collisions from happening in the first place, we completed a pilot project within our High School Driver Education program.

Geared toward enhancing students' education, we tested cutting-edge technologies, such as a customized driving simulator, a telematics system and online learning options. These educational tools have the potential to shape safer, more knowledgeable drivers behind the wheel. These elements are being considered as potential additions to the current robust curriculum as we enhance our program in the coming year.

## Value Equation

### Price

Affordable insurance

### + Coverage

Comprehensive protection against the cost of collisions

### + Service

Service where and when you need it

### + Access

Easily attainable coverage and services that do not discriminate

## = Value

For all Manitobans

Through innovation, collaboration and accountability, our Value Equation continues to provide a strong foundation for creating exceptional customer service experiences, keeping rates affordable through our continued focus on prevention, facilitating proper and accountable collision repair, protecting all Manitobans and connecting with our communities. These initiatives are further described in the following sections.





of physical damage claimants say they were satisfied with the overall handling of their physical damage claim.



of Manitobans who completed an Autopac or driver's licence transaction at either an Autopac agent or Service Centre say they were satisfied with the service they received.

# In Focus: Creating Exceptional Customer Experiences

Our goal at Manitoba Public Insurance is to always provide service that is responsive, fair, courteous, convenient and consistent for all of our customers, in all corners of the province. We continue to concentrate on exceeding our customers' expectations by providing accessible and convenient services where and when you need it.

ABOUT  
7/10

Manitobans say that Manitoba Public Insurance is doing a good job of having motivated, well-trained, service-oriented staff.

Since 1971, we have worked to become leaders in providing guaranteed and accountable access to affordable vehicle insurance, stable rates and high-quality vehicle repairs while focusing on solutions to the challenges presented by a growing consumer base and advancing technology.

One such example came into effect on March 1, 2016, when the Corporation eliminated licence plate validation stickers. Thanks to upgrades and enhancements in our police agencies' ability to deal with crime and gather up-to-date information, stickers are no longer necessary to confirm validation. This decision not only saves costs but also provides additional convenience to our customers, as they will no longer need to update their stickers every five years. The sticker transition will be complete by March 1, 2021.

With six full-service locations in Winnipeg and another nine in communities throughout Manitoba, we provide integrated and effective services including physical damage claims management, insurance sales, driver testing and licensing services. By offering extended hours at three Winnipeg-based locations during the week and opening on Saturdays, we aim to be accessible and convenient when customers choose to do business with us. Handling around one million calls each year, our Contact Centre is open six days

a week and is a critical component to delivering reliably exceptional and expedient service to our customers.

Meeting the additional insurance needs of Manitobans, our partners in the insurance broker network represent our services and products each day in independent offices around the province.

Manitoba Public Insurance is committed to removing barriers to accessibility so that Manitobans of all abilities have the opportunity to access and benefit from the programs and services that we offer. Manitoba Public Insurance has proactively taken steps to identify, remove and prevent obstacles to accessibility. In accordance with *The Accessibility for Manitobans Act*, in 2016 the Corporation developed a multi-year strategic plan to address each of the Act's five standards. Identifying architectural, information and communications, technology, systemic and attitudinal barriers and opportunities within the Corporation's overall and every day work, we are proud to begin implementing the associated plans and policies throughout 2017/18.

With a focus on the tenets of fairness and ease of access since its founding, Manitoba Public Insurance has, time after time, embraced these values in evolving to meet the needs of our customers over the past four-plus decades.

# In Focus: Keeping Rates Affordable Through Prevention

Addressing the primary causes of claims and costs, with the intention of reducing the social and financial impact to Manitoba ratepayers, is at the core of Manitoba Public Insurance's commitment to road safety.

To meet this commitment, we're focused on providing education and awareness that demonstrate the importance of staying safe on the road, as well as road safety program development and prevention efforts that directly impact Manitobans each and every day.

We continue to align our loss prevention programs under one central strategy, including those initiatives that aim to stop collisions from occurring and reduce costs associated with loss when they do happen.

In an effort to refine our goals in this area, we have matured the model for establishing road safety priorities, engaging stakeholders, and developing innovative and effective programming based on best practice, research, evidence and robust business cases.

A cornerstone of our loss prevention mandate is active involvement in the promotion and facilitation of road safety. In 2016, there were 96 vehicle-related fatal collisions, causing the deaths of 107 people. These numbers contrast sharply with the 69 collisions and 78 fatalities in 2015. Many of these deaths were related to preventable actions such as distracted driving, impaired driving and speed.

Although the past year saw an increase in fatalities, the long-term trend has seen a decline in the number of fatal vehicle collisions in our province.

Focusing on the behaviours behind this recent increase in deaths and collisions, we further understand the significance of our investment in education and awareness initiatives. Our goal in making these investments is to enhance driving skills, change perceptions and alter behaviour in order to reduce both the number and severity of collisions across the province.

In 2016, we increased our support for enhanced law enforcement targeting distracted driving and completed a roadside survey on the prevalence of alcohol and drugs in Manitoba drivers, which will contribute to a national benchmark prior to the anticipated legalization of recreational marijuana in 2017.

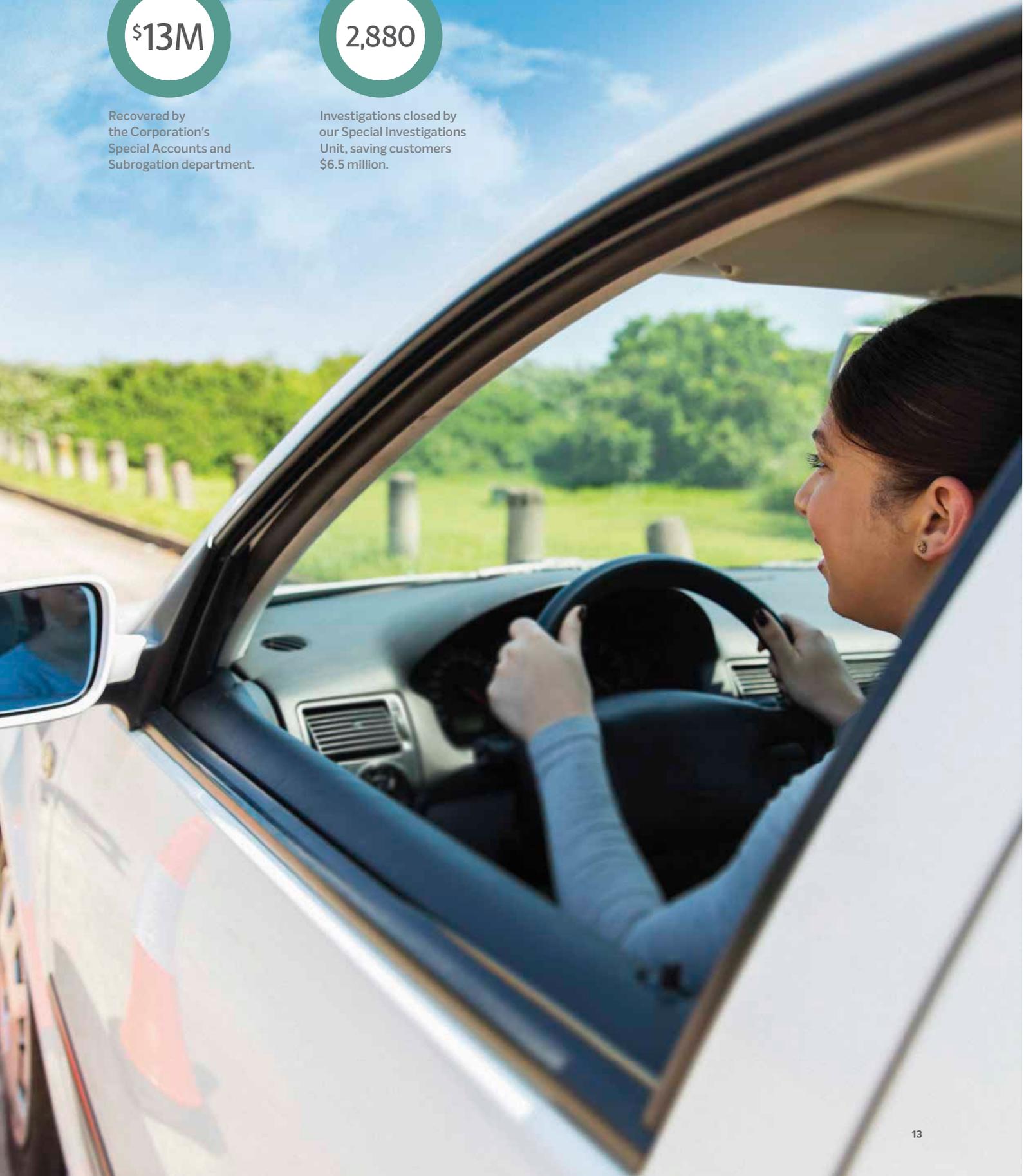




Recovered by the Corporation's Special Accounts and Subrogation department.



Investigations closed by our Special Investigations Unit, saving customers \$6.5 million.





Our Driver Fitness program helps monitor and manage drivers of all ages and abilities, ensuring everyone behind the wheel meets our physical and cognitive standards, regardless of their challenges.



DRIVR-X: Choose Your Reality is an interactive virtual reality experience addressing critical road safety issues for young drivers in Manitoba.

Understanding that what and how we teach new drivers can impact future collision and claim numbers, we have begun to redevelop our High School Driver Education program. Leveraging best practices and blending conventional instruction with higher order learning and supporting technologies, we're striving to improve the learner experience and better prepare young people for their lives as responsible and competent drivers. We have explored and tested new technologies including simulation, telematics and online learning for integration into the program, which was an important step in a multi-year effort to elevate student, parent/guardian, and instructor experiences and outcomes. We have also prioritized gravel road training with the intent to include mandatory in-car instruction, expanded enforcement and targeted education and awareness of the unique challenges this surface presents throughout 2017.

Our efforts to reach out to young drivers, who are more likely to be involved in a collision than any other age group, also included the development of a cutting edge virtual reality experience to engage youth between the ages of 16–24. The DRIVR-X: Choose Your Reality campaign, which launched in 2017, focuses on the key high-risk behaviours of distraction, speed and drug-impaired driving. This emerging technology helps users put themselves into the perspectives of others in ways not possible through traditional methods, allowing them to foster empathy and connect with the victims of serious collisions. Early research in the virtual reality field suggests that this type of campaign can result in more behavioural change and create more engagement among participants than other traditional outreach methods.

Through our Driver Fitness program, we monitor and manage drivers of all ages to ensure they meet physical and cognitive standards necessary to operate vehicles safely or are enabled when injury or illness impact ability to drive.

We work cooperatively with the Manitoba medical community to ensure proactive interventions for medically at-risk drivers. The professionals at the Health Sciences Centre also support our work to help people who have been injured return to driving through safe vehicle modifications via the Driver Assessment and Management Program (DAMP). Programming also focuses attitudinal and behavioural fitness by administering driver improvement and control interventions with novice and high-risk drivers. To improve skills and decision making abilities, we utilize a number of techniques such as mandatory training, licence suspensions and the administration of Manitoba's Ignition Interlock Program to combat impaired driving.

To ensure we are informed and understand the current perspectives of those working towards the same loss prevention and road safety goals, we actively partner with the External Stakeholder Committee on Loss Prevention. The purpose of this committee is to develop and implement joint road safety initiatives and to share best practices on reducing collision rates.

We also work with a diverse range of organizations to pool resources, and to develop and deliver programs where we share objectives on loss prevention and road safety. These organizations include: the Association of Manitoba Municipalities, City of Winnipeg, CAA Manitoba, Safety Services Manitoba, Coalition of Manitoba Motorcycle Groups, Manitoba Auto Dealers Association, Consumers Association of Canada, Bike Winnipeg, Manitoba Trucking Association, MADD

Canada, law enforcement agencies, regional health authorities, school divisions, community groups and many more.

We're proud to continue sharing expertise and resources to further research in key areas of driver safety programs with our national, provincial and territorial partners. Working together, we will carry out Canada's Road Safety Strategy 2025 through the Canadian Council of Motor Vehicle Administrators and the Provincial Road Safety Committee on the development of Manitoba's Road Safety Plan.

Our Special Investigations Unit, along with local law enforcement, investigates suspicious and fraudulent claims including staged accidents, fake theft, out-of-scope personal injury claims, and arson, among others. In the 2016/17 fiscal year, the efforts of this special unit resulted in closing 2,880 investigations and fraud savings of \$6.5 million for our customers.

The Corporation's Special Accounts and Subrogation (SAS) department acts to secure, preserve and enforce Manitoba Public Insurance's right of recovery through its various services such as subrogation, litigation and collections. The goal of maximizing recovery—and thereby minimizing claims loss—requires SAS to work closely with other internal departments on claims recoveries and with police agencies and Crown prosecutors to secure court-ordered restitution on criminal recoveries. Last year, the department recovered \$13 million.

By staying focused on our mission to work with Manitobans to reduce risk on the road, Manitoba Public Insurance is able to provide value through reducing injuries and claims, thereby benefitting all Manitobans through reduced insurance rates.



Manitoba's Interlock Ignition Program is one of many tools Manitoba Public Insurance uses to combat impaired driving.





# In Focus: Facilitating Proper and Accountable Collision Repair

As the collision repair industry works to stay on pace with the increasingly multifaceted advancements in vehicle design and development, Manitoba Public Insurance is dedicated to ensuring safe, consistent, proper and accountable repair from which all Manitobans will benefit. This focus on partnership with Manitoba's collision repair industry provides a future-oriented vision of collision repair as it continues to evolve.

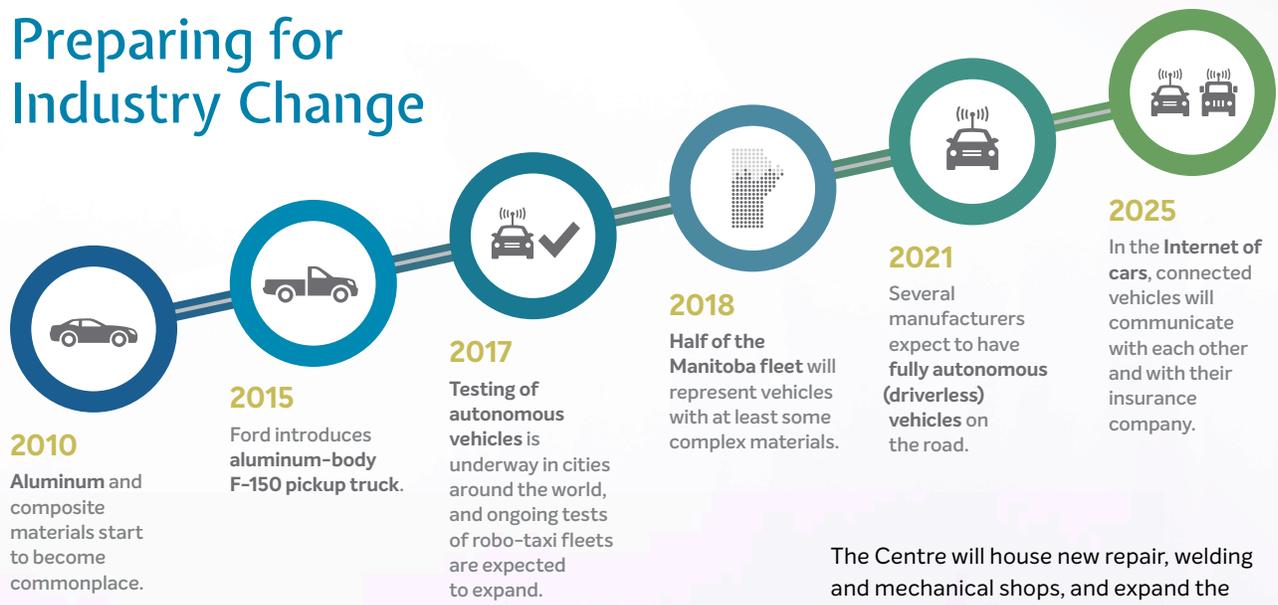
Today, original equipment manufacturers (OEMs) are using more complex materials in their vehicles such as aluminum, advanced high-strength steels, and carbon fibre instead of traditional steel. At the same time, collision-avoidance technologies and other electronics are becoming more widespread. We are committed to assisting the repair industry in meeting the challenges of increasingly complex vehicle design and construction, and in continuing to perform the proper repairs that help keep our roads safe.

In 2016, our continued support for the industry resulted in approximately 93,000 vehicle repair jobs and 1.6 million repair hours, totalling more than \$300 million into the vehicle repair industry. In addition, in collaboration with the Automotive Trades Association (ATA) and the Manitoba Motor Dealers Association (MMDA), a new industry agreement was reached in late 2016. This new agreement took effect March 1, 2017, and is grounded in the concepts of proper repair, collaboration, and long-term sustainability of the collision repair industry. An important component of this new industry agreement is a new accreditation agreement for Manitoba repair facilities that addresses the tools, training, equipment, facilities and access to collision repair standards necessary to ensure safe and quality vehicle repairs.

In addition to adapting to the changing auto repair industry, we are also working towards streamlining the physical damage claims process with our Direct Repair program, which was launched in partnership with accredited repair shops across the province. This long-term initiative includes bringing the Corporation and repair facilities onto a shared technology platform, empowering accredited repair facilities to prepare estimates without the customer being required to visit a Service or Claim Centre. This evolution will contain costs and maximize efficiencies for customers by improving communication between the Corporation, repair facilities and our customers, and will also allow faster turnaround times for repairs.

To complete a proper repair, auto repair facilities need to have access to the right procedures, the right parts, the right tooling and equipment, and the right training. Manitoba Public Insurance's Centre of Excellence in Automotive Research and Training, which will launch operations in 2017, will provide accessible and affordable training to help repair facilities meet these requirements.

# Preparing for Industry Change



The Centre is a made-in-Manitoba solution to the industry change driven by OEMs. It will help ensure proper repairs and a healthy collision repair industry through a focus on four pillars:

## Training Support

I-CAR Gold Class Professionals designation is now a requirement of each accredited repair facility. All required I-CAR courses with a hands-on component that cannot be completed online are offered at our Physical Damage Centre in Winnipeg, as well as rural locations.

The number of training opportunities we provide will grow dramatically with the launch of the Centre of Excellence in 2017.

The Centre will house new repair, welding and mechanical shops, and expand the number of training labs from one to three, enabling us to have as many as 100 technicians training at one time. Once the Centre is up and running, we will be able to expand specific Manitoba Public Insurance training opportunities to offer required training in such areas as estimating and glass standards.

We are also working with a number of OEMs on the prospect of offering OEM-specific certification training. Our goal is to provide affordable and accessible certification programs to the Manitoba repair industry.

## Standards & Estimating

We have reviewed and published formal estimating standards for our industry partners. These estimating standards are a collection of business rules and reference materials that help shops understand how Manitoba Public Insurance writes the first estimate and approves supplements.

## Quality Assurance

We created a list of recommended tools and equipment for vehicles and glass, and will continue to work to ensure repairs are completed properly — providing safe, proper and reliable repairs for Manitoba vehicle owners.

## Research & Development

Research and analysis of best practices for repair methods will help ensure the Manitoba industry has continued access to state-of-the-art training and procedures. As an example of this, in 2016 our technicians filmed an entire and complete repair of a damaged 2015 Ford F-150. This series of instructional videos will be made available for all Manitoba repair facilities to review, study and utilize moving forward.

Together, these four pillars will help auto repair facilities meet ongoing upcoming industry changes in automotive repair.

Our collaborative relationship with the collision repair industry also includes financial incentives for registered apprentices, sponsorship of Skills Manitoba to promote the skilled trades and technology sectors, and an ongoing agreement with the ATA and the MMDA.

The automotive repair industry is changing quickly. By keeping these changes as one of our key focuses, Manitoba Public Insurance is ensuring we are on the cutting edge of new vehicle technology and are able to serve Manitobans throughout the repair process.



State-of-the-art training is offered at our Physical Damage Centre.





Injury claimants say that they would speak highly of the services provided by Manitoba Public Insurance if discussing auto insurance with a friend living in another province.

# In Focus: Protecting Manitobans Through Superior Coverage

Supporting Manitobans — whether they are on the road to recovery, coping with the loss of a loved one, or adapting to a new reality as the result of a collision — is one of the most important areas of focus at Manitoba Public Insurance.



Injury claimants agree that the benefits they received were fair.



Injury claimants say that claims staff spoke to them in a manner that was easy to understand.



Injury claimants say they were satisfied with their experience in dealing with Manitoba Public Insurance.

Through the Personal Injury Protection Plan (PIPP), Manitoba Public Insurance ensures that all Manitobans who are injured in a collision — both vehicle owners and non-owners — are fairly compensated and supported for their economic losses as they recover from sustained injuries.

Administered by the Corporation on behalf of the Province of Manitoba, PIPP guarantees that any Manitoban injured in an automobile collision anywhere in Canada or the United States receives comprehensive and world-class injury and economic loss coverage.

PIPP ensures Manitobans be given adequate compensation for their claim, that Autopac premiums remain stable, predictable and affordable, and that Manitobans are compensated fairly and promptly for their economic losses from automobile collisions.



Manitoba Public Insurance remains committed to providing catastrophically injured Manitobans with a comprehensive complement of benefits to maximize their recovery.

Working directly with customers in some of the most difficult moments of their lives, our focus remains on providing among the most comprehensive benefits through an efficient process that allows Manitobans to continue to live with the dignity and respect they deserve.





# In Focus: Connecting With Our Communities

Central to our mission of reducing risk on the road is the Corporation's proactive focus on promoting road safety within communities throughout Manitoba. Manitoba Public Insurance is proud of its strong relationships with our partners that are equally as committed to working alongside Manitobans to make this a reality.

By teaming up with a wide range of groups and individuals, we are consistently able to facilitate and support important programs and initiatives and also raise awareness of the Corporation's products, services and mandate to promote road safety to a variety of diverse audiences.

Additionally, local community groups, including COPP members, across the province volunteered over 500 hours in 2016 participating in the Corporation's SpeedWatch program. Over 93,000 vehicles were monitored through the initiative, including 13,906 within school zones.



Successful years of the Citizens on Patrol Program, which encourages community members to get involved in road safety in their neighbourhoods.

One our longest and most successful initiatives is the Citizens on Patrol Program (COPP), which celebrated its 25th year in 2016. It also represented the 15th year of Manitoba Public Insurance's partnership with this important grassroots program, which encourages community members to be actively involved in road safety efforts within their own communities. With 50 regional groups throughout the province, the program continues to be instrumental in preventing crime and assisting local police agencies with more than 1,000 volunteers contributing more than 22,000 hours in 2016.

One of the most impactful partnerships of the year was with the Friends for Life series. Over a two-week period from November 14–25, together with the Manitoba School Boards Association and TADD Manitoba, we made 47 presentations possible in 42 schools reaching over 13,000 students with important road safety messages on impaired driving, speed and distracted driving.

Adult driver education has also been a priority area through our partnerships with the Province of Manitoba, the Immigrant and Refugee Community Organization of Manitoba and the North End Renewal Corporation. We are also committed to working with the Manitoba Keewatinowi Okimakanak to expand driver education and driver testing in more communities in an effort to help facilitate an increase in driver licensing as part of local economic development growth.

# Community Focus: By the Numbers



More than **22,000** hours contributed by more than **1,000** COPP volunteer members.



Over **300** Safety on Wheels presentations made in **84** different communities.



Approximately **400** participants visited our pit stop during Bike to Work Day.



Over **13,000** students reached by the Friends for Life speaker series, which shares important road safety messages.



**47** events where the Corporation's texting and driving simulator was showcased.



More than **\$500,000** raised in our annual United Way workplace campaign by **75%** of staff.



Our texting and driving simulator was on display at 47 different events in 2016.



By teaming up with groups like Bike Week Winnipeg, Manitoba Public Insurance is working with Manitobans to reduce risk on the road.

Through our robust educational programming at community events and schools, the Corporation continued to provide targeted activities and presentations free of charge this year.

For example, the Corporation's texting and driving simulator was at 47 different events in 2016. More than 1,200 people tried the simulator with an additional viewing audience of approximately 6,250.

As well, our Safety on Wheels program visited 84 different communities throughout Manitoba in 2016, reaching well over 32,000 Manitobans. This includes over 330 different presentations of Bike Rodeos, Mini Car Towns, Fatal Vision Goggle demonstrations, and general road safety topics working with 58 different organizations and events. To ensure our strong key messaging and campaign themes were heard by as many people as possible, we also worked with a number of groups, like MADD Canada, Manitoba School Boards Association and TADD Manitoba, the School Safety Patrol Program, the Manitoba Child Car Seat Program, Operation Red Nose and the Transportation Options Network for Seniors to further broaden our overall reach.

In 2016, along with Bike Winnipeg, Seven Oaks School Division, The Winnipeg Repair Education and Cycling Hub, and Green Action Centre, the Corporation began a three-year pilot, Bicycle Education & Skills Training in Schools (BEST). The BEST program, co-funded by Manitoba Public Insurance and Seven Oaks School Division, provides cycling instruction to students in Grades 4 through 8. It will provide students with cycling knowledge and on-road experience to safely ride to school, in their community, and later as adults. In addition, through this training, students will become more aware of cyclists' needs when they later become drivers.

Similarly, the Corporation worked with organizations such as Bike Week Winnipeg, Children's Rehabilitation Foundation, Downtown Winnipeg BIZ, Habitat for Humanity, Junior Achievement, Manito Ahbee, Manitoba Brain Injury Foundation, Special Olympics Manitoba, Skills Manitoba, Sport Manitoba, WE Day, Winnipeg Folk Festival, Winnipeg Pride Parade and many more in their wonderful efforts to improve the lives of thousands of Manitobans.

We consider the enthusiasm and commitment of our employees to impactful causes one of our greatest assets. En masse, they have embraced their individual ability to make a difference. This was overwhelmingly evident during last year's annual United Way workplace campaign. Together, over \$500,000 was raised by 75 per cent of our staff, which accounts for the largest contribution by the Corporation in its history.

Over the past year, like many others, our employees have been dedicated in fundraising and volunteer efforts, both in our offices and within the community. In 2016, they contributed to Brush Up Winnipeg, the Christmas Cheer Board, Craig Street Cats, Earth Day, Habitat for Humanity, the Heart & Stroke Foundation, Immaculate Conception Drop-In Centre, Koats for Kids, the Manitoba Division of the Canadian Mental Health Association,

the Manitoba Dragon Boat Festival, Operation Donation in support of Winnipeg Harvest, the Santa Claus Parade, WE Day, the Winnipeg Fire Paramedic Service Half Marathon and Winnipeg Pet Rescue Shelter.

Through our own extensive programming or as a partner with local organizations and groups, our continued focus on educational and awareness efforts this year furthered Manitoba Public Insurance's road safety messages. Effectively connecting with our customers in the places and spaces that resonate with them every day is one of the best ways to encourage the safe driving behaviours that, in turn, ensure safe roadways for all Manitobans.



Through partnerships with organizations like Operation Red Nose, we ensure our road safety messages reach as many Manitobans as possible.





# Management Discussion & Analysis

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# Corporate Profile

## Corporate Mission

Working with Manitobans to reduce risk on the road.

## Corporate Vision

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

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

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

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

## Corporate Values

### Our Customers

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

### Our People

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

### Working Together

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

### Financial Responsibility

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

### Excellence and Improvement

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

### Our Corporate Citizenship

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

### Social and Economic Contribution

Through the Department of Finance, Manitoba Public Insurance invests in communities throughout Manitoba to the extent investment opportunities of acceptable risk and returns are available. The Corporation also contributes to community and economic development through its local purchasing power and as a major Manitoba employer. In the 2016/17 fiscal year, the Corporation made a direct contribution of over \$1 billion to Manitoba's economy.

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

### The Corporation's Service Delivery Model

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

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

In 2004, the government merged the operations of the former Division of Driver and Vehicle Licensing into Manitoba Public Insurance and the Corporation became responsible for the administration of *The Drivers and Vehicles Act* (DVA). This led to a complete integration of driver licensing, vehicle registration, driver insurance and vehicle insurance.

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

### Broker Network

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

Customers have responded favourably to the level of service provided by our brokers. In general, 94 per cent of Autopac and driver's licence customers were satisfied with the overall level of service they received at a broker's office. Within the last year, 96 per cent of customers said they received prompt service while at a broker's office, 95 per cent of customers responded positively when asked if their account transactions are processed promptly and 98 per cent said brokers treated them courteously and politely.

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

### Service Centres

Our Service Centres conveniently offer a full range of services in one location, including registration, licensing and insurance services, physical damage and bodily injury claims management, driver testing and vehicle standards and inspection. There are Service Centres in 10 communities across the province: Arborg, Beausejour, Brandon, Dauphin, Portage la Prairie, Selkirk, Steinbach, Thompson, Winkler and Winnipeg, which has six full-service locations. We operate additional centres in Flin Flon, Swan River, The Pas and cityplace.

By aligning all of our Service Centres with our Service Centre model, the Corporation can better meet the changing needs of Manitobans now and into the future, ensure a consistent level of service at all of our locations and be more operationally and financially responsible.

# Corporate Governance

## Responsibilities of the Board

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

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

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

## Whistleblower Report

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

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

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

During the fiscal period March 1, 2016, to February 28, 2017, the Whistleblower Hotline received one inquiry. The inquiry was directed to the Chair of the Audit Committee, as is the established practice. Upon investigation, it was determined that the inquiry was not a report for which the Whistleblower Hotline was established to receive. As a result, the inquiry was taken as information for consideration by the Board of Directors.

## Fair Practices Office

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

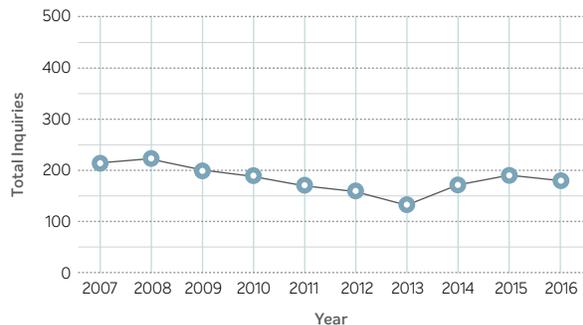
The FPO generally deals with concerns related to corporate policy, or issues involving complex or unusual situations where the correct interpretation of policy may seem unclear. The FPO may initiate its own investigations or respond to inquiries referred by others. It is free to scrutinize the Corporation’s policies and procedures in an objective and constructive manner. As required, it can make recommendations about an operational decision on a specific case and alert senior management of any systemic concerns or policies that should be addressed.

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

### 2016 Fair Practices Office Results

In the 2016/17 fiscal year, the FPO received 178 documented inquiries from the following referral sources:

Customer	/ 52
Formal Ombudsman inquiries	/ 4
Informal Ombudsman inquiries	/ 93
Internal referrals	/ 18
Executive referrals	/ 5
Ministerial inquiries	/ 6



Over the same period, the FPO investigated a total of 186 inquiries. Of the inquiries investigated, FPO recommended the Corporation revise its decision in 25 situations, or about 13 per cent of the cases reviewed.

## Compliance to Legislative Authority: Sustainable Development Act

In accordance with Section 14 of *The Manitoba Sustainable Development Act* (1997), the Corporation did not experience any environmental incidents between March 1, 2016, and February 28, 2017.

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

### Fleet Vehicle Management

The Corporation has a fuel-efficient vehicle fleet highlighted by a large percentage of hybrid and fuel-efficient four-cylinder engine vehicles. Average fuel efficiency for the regular fleet changed slightly from 11.6 litres/100 km to 12.0 litres/100 km in the last year.

### Facilities Management

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

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

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

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

- **Heating, Ventilating and Air Conditioning (HVAC)**
  - / Digital control and integration of major HVAC components
  - / High-efficiency components (boilers, roof-top units, heaters)
  - / Geothermal heat pumps that utilize ground temperature to heat and cool the building
  - / Glycol heat recovery systems to reuse exhaust heat within the building
  - / Variable speed motors in HVAC components to conserve electricity
  - / Air quality sensors to control the amount of fresh air brought into the building
  - / Under-floor heat distribution
- **Electrical Conservation**
  - / Design elements (reflective light shelves, clerestory windows, skylights in garages) in newer facilities make better use of natural light and reduce the need for artificial lighting
  - / Sensor-controlled lighting uses occupancy and natural light sensors to control light fixture output

- / Conversion of older incandescent lighting used in garages and outside buildings to more efficient compact fluorescent, T5 fluorescent and halogen lighting
- / High-efficiency hot water tanks
- / Temperature-sensitive block heater plugs
- / LED exit lights, handheld estimating lights and interior office lighting

### • Water Conservation

- / Low-flow toilets and fixtures
- / Waterless urinals
- / Sensor-controlled bathroom fixtures

### Environmental Testing

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

Testing	Results (2016/17)
Well water quality at those sites where a well is used	/ Testing showed no signs of E. coli or coliform
Runoff water and sediments for vehicle-related contaminants	/ Testing showed very low levels of contaminants, all within acceptable levels
Waste audits to evaluate recycling success and opportunities	/ Results unchanged from the previous year

### Recycling and the Use of Recycled Goods

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

Results (2016/17)	Activity
<b>31,521</b>	/ Salvage vehicles were sold to automobile recyclers and the public to be rebuilt or used for replacement parts
<b>18,711</b>	/ Salvage vehicles had freon extracted from the vehicle air conditioning system as needed
<b>404</b>	/ Pre-1995 vehicles were sold for scrap
Results (2016/17)	Recycled Materials
<b>410</b>	/ Tonnes of paper, cardboard, plastic and metal containers
<b>41,196</b>	/ Recycled parts available for use in claims repairs
<b>182</b>	/ Kilograms of batteries and electronics

# Corporate Goals, Strategies and Measures

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

## Goal 1

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

### Strategies

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

### Rate Comparison Chart



2017 rates based on: 2010 Dodge Grand Caravan SE, \$500 all-perils deductible, \$2 million third-party liability	21-Year-Old Male Claims and conviction free	35-Year-Old Couple Both claims and conviction free	40-Year-Old Couple Both claims and conviction free  16-Year-Old Son Claims and conviction free
<b>Winnipeg, MB</b>	<b>\$1,442</b>	<b>\$1,142</b>	<b>\$1,187</b>
Calgary, AB	\$3,251	\$1,519	\$2,366
Toronto, ON	\$6,593	\$3,429	\$6,205

- Notes:** 1. The 2010 Dodge Grand Caravan SE is the most common passenger vehicle registered in Manitoba.  
2. Manitobans will pay less for their automobile insurance in 2017 than most major Canadian cities.

## Goal 2

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

### Strategies

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

### Measures



## Goal 3

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

### Strategies

- 3.1 To ensure Manitobans receive understandable information on Manitoba Public Insurance products, entitlements, services and service standards. The Corporation will adopt a strategy that ensures information reaches the appropriate target groups at appropriate times.
- 3.2 Autopac Extension — to be profitable by providing products and services that continue to recognize the changing needs of our customers and continue to successfully achieve high levels of customer satisfaction through strategic pricing, accessibility and convenience. To mitigate risk through appropriate product design and automated underwriting techniques.
- 3.3 Special Risk Extension — to be profitable by responding to the variable and specialized needs of our commercial customers and providing personalized auto-related insurance products that cannot be met by the universal, compulsory program or by the automobile extension program. To partner with customers in pursuing fleet safety and loss prevention initiatives. To provide Manitobans with a stable market choice that promotes long-term partnerships.
- 3.4 To use our economies of scale to help ensure safe, quality, reliable repairs for Manitobans by providing support for skilled trades through the development and delivery of cost-effective training.
- 3.5 To leverage our service delivery model to meet customer expectations, increasing accessibility and convenience.
- 3.6 To expand the value that the Corporation provides Manitobans by capitalizing on the effectiveness of its technology and distribution channels to develop innovative solutions that benefit its customers in a cost-effective manner.
- 3.7 To improve the service relationship between drivers and vehicle owners and the Corporation by modernizing business processes and ensuring all aspects of driver risk rating are consistent, clear and fair.

### Measures



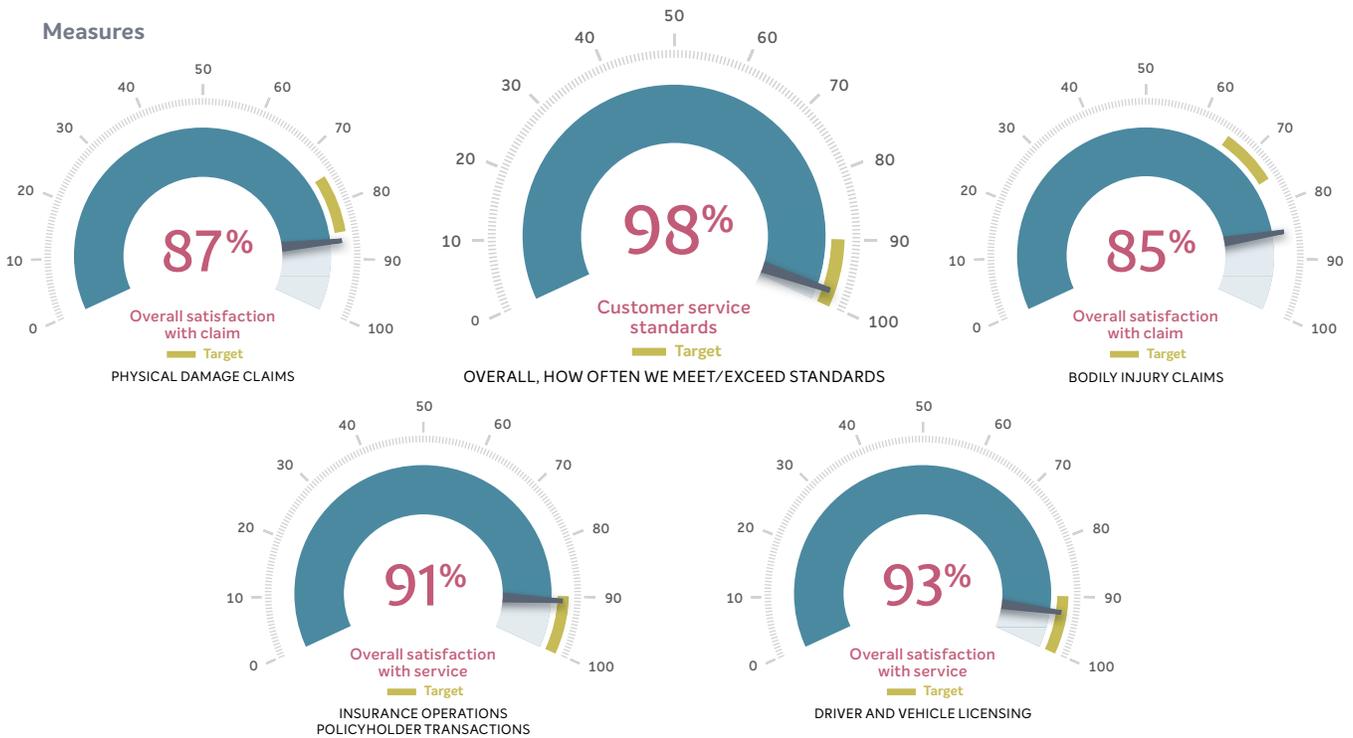
### Goal 4

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

#### Strategies

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

#### Measures



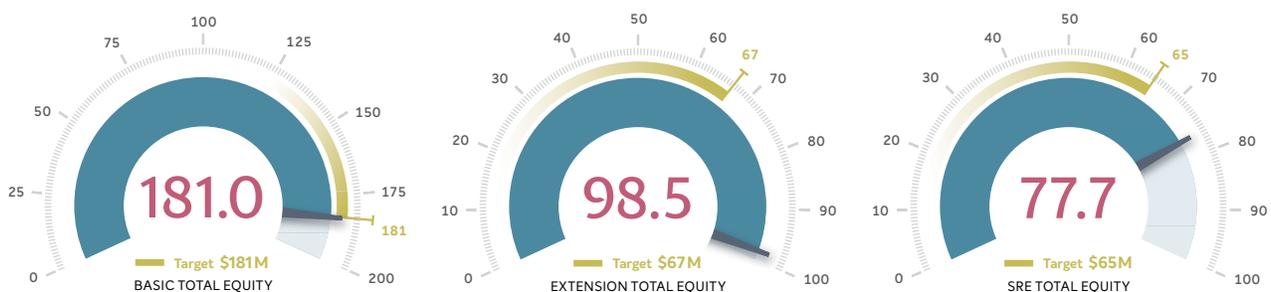
### Goal 5

Total equity will be maintained within established target levels.

#### Strategies

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

#### Measures



## Goal 6

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

### Strategies

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

### Measures



## Goal 7

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

### Strategies

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

### Measures



# Results of Operations

## Corporate

During the reporting period, for every dollar of revenue earned, the Corporation provided Manitobans with 95 cents in claims benefits. Operating, including regulatory and appeal expenses, accounted for 11 cents of every dollar of revenue earned while broker commissions and premium taxes cost 10 cents. This resulted in an underwriting loss of 16 cents. Investment gain was 8 cents for every dollar of revenue earned, as a result the Corporation's net loss was 8 cents for every dollar of revenue earned during the year.

## Current Year and Last Year

In 2016/17, the Corporation had a net loss of \$85.2 million, \$53.9 million worse than the previous year. The underwriting results were worse than 2015/16, due primarily to an increase of claims costs of \$212.7 million largely resulting from actuarial adjustments and the change in interest rates, which negatively affected the claims reserves; offset by a \$61.8 million increase in earned revenue. Investment income was \$101.4 million better compared to last year.

## Revenue

Total earned revenues in 2016/17 increased \$61.8 million or 5.5 per cent to \$1.2 billion because of growth in the number of vehicles on the road in Manitoba; the value of these vehicles; and movement of drivers down the Drivers Safety Rating scale, all of which resulted in higher premiums. Total earned revenues

## Where Your Premium Dollar Has Gone

Total Claims Costs	\$ 0.95	}	<b>Total earned revenues</b>	<b>\$ 1.00</b>
Operating & Regulatory / Appeal Expense	\$ 0.11		<b>- Total claims and expenses</b>	<b>\$ 1.16</b>
Broker Commissions	\$ 0.07		= Underwriting loss	\$ (0.16)
Premium Taxes	\$ 0.03		+ Investment income	\$ 0.08
			= Net loss	\$ (0.08)

## Climate Change

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

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

In 2016/17, we did not see any one significant hailstorm requiring reinsurance recovery, but claims resulting from hailstorms contributed \$45.1 million to the Corporation's overall claims costs. In 2015/16, the Corporation incurred \$52.6 million relating to hail claims. The most recent loss years are significantly higher than the Corporation's average net hail losses of approximately \$17.5 million per year from 2005/06 to 2014/15.

include \$29.3 million received from the Province of Manitoba as part of the agreement for providing services related to *The Drivers and Vehicles Act* operations.

## Claims Costs

Beginning in 2005, a new reserving method was implemented for older open Personal Injury Protection Plan (PIPP) claims files. There are now 11 years of development observations under this process of reserving for open claims with continuing periodic payments. These observations have shown relative consistency in the periodic claim development patterns since the introduction of the new process in 2005.

In 2016/17, the Corporation's overall claims costs increased by \$212.7 million to \$1.1 billion compared to 2015/16. The increase was mostly driven by claims incurred of \$981.3 million, which is \$210.7 million higher than last year. Of this amount, injury claims incurred increased by \$152.6 million while physical damage claims increased by \$58.1 million. The total number of claims filed increased by 5,921 from 297,957 in 2015/16 to 303,878 in 2016/17.

The \$152.6 million increase in injury claims incurred is mainly due to a \$63.2 million increase compared to last year in injury claim liabilities resulting from a higher interest rate assumption used in discounting these liabilities, a \$50.1 million unfavourable claims development and a \$39.3 million higher severity and volume of injury claims. The increase of \$58.1 million in physical damage claims was attributed to an increase in collision claims incurred of \$56.8 million or 14.8 per cent from last year. Collision claims increased by 8,702 claims or 5.8 per cent from 150,671 claims last year to 159,373. Total severity of physical damage claims increased \$20.6 million in 2016/17.

The impact to the Corporation's overall claims costs resulting from hailstorms for the last five years is:

<b>2016/17</b>	<b>\$45.1 million</b>
2015/16	\$52.6 million
2014/15	\$13.8 million
2013/14	\$23.5 million
2012/13	\$23.7 million

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

## Expenses

Total corporate expenses increased to \$239.5 million, up \$4.3 million from last year. This increase was due primarily to Regulatory/Appeal expense increase and Premium Taxes increase as they are reflective of the increase in Premiums.

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

## Investment Income

Total investment income including investment management fees, increased dramatically to an income of \$96.6 million compared to a loss of \$4.8 million last year, an increase of \$101.4 million. The \$101.4 million increase is primarily due to stellar Canadian and U.S. equity market performances causing higher than expected returns of \$40.1 million. There were no impairment losses to the equity portfolio compared to \$33.4 million last year. Please refer to Note 6 of the Condensed Financial Statements for a breakdown of investment income by type of investment.

The Minister of Finance is responsible for investing the money that Manitoba Public Insurance sets aside for future claims payments and other liabilities. Investment income reduces rates that would otherwise be payable by policyholders. The total fair value of the Corporation's investment portfolio was \$2.7 billion at February 28, 2017, an increase of 4.9 per cent or

\$125.1 million from the previous year. The bond portfolio, which accounts for 65.4 per cent of the investment portfolio, is primarily invested in two types of bonds:

- Marketable bonds, mainly issued by the governments of Manitoba and other provinces, including floating rate notes (41.3 per cent of the total portfolio market value).
- Non-marketable bonds issued by Manitoba municipalities, hospitals and school divisions, purchased through the Manitoba Department of Finance (24.2 per cent of the total portfolio).

The Minister of Finance through his government department has selected three external investment managers to administer Manitoba Public Insurance's Canadian equity portfolio, which represents 12.0 per cent of the total investment portfolio. The Corporation also has 5.9 per cent of its portfolio in United States equities with exposure to the U.S. equity market through two exchange traded funds. Cash and cash equivalents account for 2.8 per cent of the investment fund; investment in five infrastructure holdings accounts for 3.6 per cent of investments and pooled real estate funds account for 8.8 per cent while directly held real estate investments account for 1.9 per cent of the investment portfolio.

The total portfolio, on a market value basis, had a positive 6.9 per cent return during the fiscal year. Marketable bonds returned positive 1.5 per cent while non-marketable bonds returned 4.8 per cent. The total Canadian equity portfolio earned positive 27.7 per cent, while large cap Canadian equities returned positive 27.6 per cent and small cap Canadian equities returned positive 28.3 per cent. U.S. equities returned positive 28.7 per cent in Canadian dollars. Over a four-year period, the investment portfolio has achieved an annualized return of 6.3 per cent.

## Basic

Years Ended February 28/29

Basic Autopac—Five-Year Statistics (\$000)	2017	2016	2015	2014	2013 <sup>(1)</sup>
Premiums written	923,789	888,365	824,865	784,741	746,044
Claims incurred	860,035	666,404	745,837	747,435	661,288
Claims expense	120,972	118,614	116,578	114,552	108,587
Other expenses	152,853	148,410	146,953	139,964	140,794
Net income (loss)	(123,070)	(56,050)	2,440	(69,162)	(63,103)

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

## Current Year and Last Year

In 2016/17, Basic insurance had a net loss from annual operations of \$123.1 million, \$67.0 million worse than last year. Underwriting results decreased by \$154.0 million which was offset by the increase in Basic's share of investment income by \$86.9 million. The \$154.0 million decrease in underwriting results was primarily resulting from a \$195.5 million increase in total claims costs due to the change in interest rates which negatively affected the claims reserves and the actuarial adjustment, a \$46.5 million increase in earned revenues and an increase in total expenses of \$4.9 million.

## Revenue

The number of policies in force at year end increased to 1,107,011 from 1,086,538. Total earned revenues increased from \$881.4 million last year to \$927.9 million.

## Claims Costs

Total claims costs increased to \$993.5 million, \$195.5 million higher compared to last year. The change in claims costs is comprised of a \$142.6 million increase in injury claims incurred and a \$51.0 million increase in physical damage claims incurred and a \$1.9 million increase in claims expense.

Injury claims incurred increased by \$142.6 million due partially to the decreased impact of interest rate changes, which led to an increase in injury claim liabilities of \$63.2 million. Additionally, the year-over-year change in the actuarial adjustment negatively impacted the injury claims liabilities by \$43.5 million. The number of injury claims increased by 2.8 per cent from 16,796 to 17,273.

### Injury Claims

Years Ended February 28/29

Type of Claim	2017	2016	2015	2014	2013
Fatal*	142	116	92	118	110
Brain Injury	35	48	55	47	61
Concussion	104	94	116	131	185
Quadriplegic	–	–	4	1	2
Paraplegic	2	3	4	2	2
Broken Bones	821	876	686	707	771
Sprains and Strains	7,858	7,749	7,177	5,669	4,821
Whiplash**	6,655	6,237	6,170	9,018	9,249
Bruising/Lacerations	980	958	1,161	953	975
Other	676	715	728	721	934
<b>Total</b>	<b>17,273</b>	<b>16,796</b>	<b>16,193</b>	<b>17,367</b>	<b>17,110</b>

\* Fatal includes PIPP, non-PIPP and those still under investigation as at February 28/29. Years prior to 2015 have been restated.

\*\* 2015 has been restated to be consistent with prior years.

### Expenses

Basic expenses increased from \$135.4 million last year to \$140.3 million. The increase was due to higher operating expenses and regulatory appeal expenses, and higher commissions and premium taxes related to the increase in premiums.

### Investment Income

Basic's share of corporate investment income was \$82.9 million, net of investment management fees. This was an increase of \$86.9 million, attributable mainly to the Canadian and U.S. equity market performance.

Physical damage claims incurred were higher compared to last year, increasing by \$51.0 million. Hail increased comprehensive claims incurred by \$45.1 million. The number of collision claims increased by 8,702 and the severity for collision claims increased by \$33.9 million from last year. Total severity for Basic physical damage claims increased by \$26.1 million in 2016/17.

### Total Equity

Net loss for the Basic line of business for 2016/17 decreased retained earnings from \$194.5 million to \$71.4 million. Combined with the Accumulated Other Comprehensive Income, the Basic total equity was \$153.2 million. As per the Risk Management section, the Corporation's Chief Actuary concluded that a minimum total equity level of \$181.0 million would be required for Basic to achieve a satisfactory future financial condition. The Corporation transferred \$27.8 million to Basic retained earnings from the Extension line of business. This transfer results in an ending retained earnings of \$99.2 million and total equity of \$181.0 million to support rate stabilization.

### Extension

Years Ended February 28/29

Extension – Five Year Statistics (\$000)	2017	2016	2015	2014	2013 <sup>(1)</sup>
Premiums written	151,303	144,299	138,667	134,470	133,477
Claims incurred	67,195	65,967	56,443	60,052	56,953
Claims expense	10,236	9,757	11,749	11,974	12,505
Other expenses	48,063	49,248	51,363	50,843	47,183
Net income	37,988	26,644	43,134	31,125	28,724

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

### Current Year and Last Year

Extension insurance reported net income of \$38.0 million compared to \$26.7 million the previous year. The \$11.3 million increase in net income was due to a \$5.4 million increase in Extension's share of investment income, and a \$5.9 million increase in underwriting results.

### Revenue

Earned revenues from the sale of Extension products increased by \$6.4 million to \$158.3 million compared to last year. All products, including the sale of coverage for deductible buy down contributed to the increase.

### Claims Costs

Total claims costs—including claims benefits, claims handling, loss prevention and road safety expenses—increased \$1.8 million to \$78.4 million. Physical damage claims incurred increased by \$3.0 million or 4.6 per cent. Injury claims incurred decreased \$1.7 million, due primarily to decreased severity and volume of claims. Claims expenses were higher than last year by \$0.5 million.

### Expenses

Expenses related to the sale of Extension products was \$47.1 million, a decrease of \$1.3 million from the previous year. This decrease was primarily due to lower commissions of \$1.3 million and operating expenses of \$0.2 million, offset by higher premium taxes of \$0.2 million.

### Investment Income

Extension's share of corporate investment income of \$5.2 million, including investment management fees, was \$5.4 million higher than last year.

## Special Risk Extension

Years Ended February 28/29

<b>SRE—Five Year Statistics (\$000)</b>	<b>2017</b>	2016	2015	2014	2013 <sup>(1)</sup>
Premiums written	<b>78,328</b>	70,521	63,022	58,781	56,750
Claims incurred	<b>54,068</b>	38,253	42,596	53,650	28,241
Claims expense	<b>5,895</b>	6,140	5,920	6,037	5,756
Other expenses	<b>17,961</b>	17,692	16,645	14,199	16,558
Net income (loss)	<b>3,193</b>	4,650	10,768	(6,928)	10,361

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

### Current Year and Last Year

Special Risk Extension (SRE) insurance reported a net income of \$3.2 million, a decrease of \$1.5 million from the previous year. Underwriting results decreased by \$8.4 million which was offset by the increase in SRE's share of investment income of \$6.9 million.

### Revenue

Total earned revenues in 2016/17 were \$74.5 million compared to \$67.1 million the previous year. The sale of SRE products, which include large trucking companies' liability, cargo and physical damage coverage, showed a growth of 11.0 per cent compared to last year.

### Claims Costs

Total claims costs increased from \$45.8 million in 2015/16 to \$61.2 million in 2016/17. Injury claims increased \$11.7 million. Physical damage claims incurred increased by 17.5 per cent compared to the previous year, a change of \$4.1 million. Claims expense and loss prevention and road safety costs increased by \$0.3 million from the previous year.

### Expenses

SRE's expenses increased to \$16.7 million from \$16.3 million, due to an increase in commissions of \$0.2 million and increase in premium taxes of \$0.2 million.

### Investment Income

SRE's share of corporate investment income, including investment management fees, was \$6.6 million, an increase of \$6.9 million compared to last year.

### Retained Earnings

Extension's total retained earnings are comprised of retained earnings from the sale of Extension products. As at February 28, 2017, Extension retained earnings totaled \$94.9 million compared to \$84.7 million the previous year. Extension retained earnings decreased by \$27.8 million as a result of the transfer to Basic retained earnings. Extension's current capital target level for total equity is \$67.0 million based on the 2016 Extension Minimum Capital Test (MCT) report.

In 2015/16, \$3.0 million was appropriated from Extension retained earnings to create the Personal Identification Card Fund (PICF). The PICF was established to defray costs of the project to create a personal identification card that incorporates Manitoba Health card information. The Personal Identification Card project was closed in the 2016/17 fiscal year and the fund was fully depleted.

### Retained Earnings

SRE's retained earnings are derived from the annual operations of the SRE line of business. SRE's retained earnings were \$70.8 million as at February 28, 2017, compared to \$67.6 million last year. SRE's current capital target level for total equity is \$65.0 million based on the 2016 SRE MCT report.

## The Drivers and Vehicles Act Operations

### Current Year and Last Year

The Drivers and Vehicles Act (DVA) operations experienced a net loss of \$3.3 million in 2016/17 compared to a net loss of \$6.6 million last year.

### Revenue

The government provides funding to the Corporation that covers the cost of the DVA administrative operation. In 2016/17, the Corporation received \$29.3 million from the Province of Manitoba and reported \$0.8 million in service fees and other revenue, resulting in overall revenue being \$1.4 million higher than the previous year.

### Expenses

DVA operations' expenses of \$35.4 million were up \$0.2 million from last year's expenses of \$35.2 million primarily due to improved operating expenses of \$0.4 million offset by higher commissions of \$0.6 million.

### Investment Income

DVA operations' portion of corporate investment income, including investment management fees, increased to \$1.9 million, \$2.0 million higher compared to last year.

### Retained Earnings

Extension and SRE retained earnings were transferred to create the Extension Development Fund (EDF) which was primarily set up to support the projects undertaken to maximize the opportunities presented by the 2004 merger of the Corporation and the Division of Driver and Vehicle Licensing. From EDF funding, DVA operations benefited by \$79.5 million including \$14.0 million for the implementation of the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's Licence and Manitoba Identification Card. DVA operations has subsequently repaid \$6.1 million to offset the costs associated with these projects and funding.

## Risk Management

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

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

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

- Risk identification and assessment of impact if there were no risk mitigation actions in place.
- Risk monitoring procedures.
- Processes and controls to manage and mitigate risks.
- The residual risk after consideration of management action.

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

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

The key risk mitigation areas are:

- Maintaining adequate unpaid claims reserve.
- Maintaining an adequate Rate Stabilization Reserve.
- Governance of investments.
- Claims control strategies.
- Information technology processes.
- Loss prevention strategies.

### Unpaid Claims

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

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

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

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

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

### Rate Stabilization Reserve

The Corporation establishes and maintains a Rate Stabilization Reserve (RSR) to protect motorists from rate increases made necessary by unexpected losses arising from non-recurring events or factors.

The Corporation's Board of Directors current minimum target for total equity (which includes Basic's retained earnings and the Basic portion of Accumulated Other Comprehensive Income) is \$181.0 million (2016 – \$231.0 million) based on the 2016 Basic Insurance Dynamic Capital Adequacy Test (DCAT) report. In this report, the Corporation's Chief Actuary concluded that a minimum total equity level of \$181.0 million would be required for Basic to achieve a satisfactory future financial condition. A total equity level lower than \$181.0 million results in a "not satisfactory" opinion because there were plausible adverse scenarios at the 1-in-40 year probability level where liabilities exceed assets. In Order No. 162/16, the Public Utilities Board approved a lower DCAT-based RSR target (for total equity) of \$159.0 million and the continued use of the DCAT methodology for this purpose. However, the Corporation's Board of Directors does not support the use of the \$159.0 million minimum target because this target is based on incorrect DCAT assumptions used by the Public Utilities Board that do not align with the 3.7 per cent rate increase approved in Order No. 162/16 for Basic rates to be charged in the 2017/18 insurance year.

For the upper (maximum) RSR target (for total equity), the Corporation proposed the continued use of the 100 per cent Minimum Capital Test (MCT) ratio. The MCT is a capital adequacy test used by almost all property and casualty insurers in Canada, and at the 100 per cent level, capital available is equal to capital required. The Corporation is the only insurer in Canada that has proposed to use the 100 per cent MCT ratio as a maximum capital target. Other public insurers have utilized 100 per cent MCT as a target capital amount or a minimum capital amount, while private insurers have a target capital ratio (supervisory target) of 150 per cent MCT, and a minimum requirement of 100 per cent MCT. In 2015, the Public Utilities Board notionally approved the use of the 100 per cent MCT for determining the upper RSR target. However, in 2016, the Public Utilities Board withdrew their support for this methodology and ordered that a Technical Conference be held on the use of the DCAT for determining the upper capital target. As a result, the Corporation does not currently have a Public Utilities Board approved upper RSR target (for total equity). The Corporation continues to support the use of a 100 per cent MCT ratio as the basis for determining the upper RSR target (for total equity). The DCAT Technical Conference was held on April 19, 2017.

### Investments

In accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*, the Minister of Finance is responsible for the investments of the Corporation. The Minister has charged the Department of Finance with the operational management of the fund. The Corporation, through the Investment Committee of the Board, works collaboratively with the Department of Finance and makes recommendations to the Minister regarding appropriate policies and strategies to maximize return, minimize volatility and mitigate risk. The Investment Committee has completed asset liability management studies to ensure that the asset mix chosen is compatible with the Corporation's liability profile. A complete description of these risks and risk mitigation strategies is outlined in Note 28 of the 2016/17 audited financial statements located on the Corporation's website [mpi.mb.ca](http://mpi.mb.ca).

### Claims Control Strategies

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

- Management of an accreditation program for the collision repair industry to ensure proper, quality and safe repairs at a reasonable cost. This requires shops and the technicians within shops to meet standards for facilities, equipment and annual training of technicians.
- Delivery of high-quality training programs to the collision repair industry to ensure repairs are performed by highly trained technicians to original equipment manufacturer's standards using current technologies.
- Use of estimating compliance software to ensure all repair estimates are prepared accurately and consistently, ensuring that only required repairs are performed.
- Use of industry-recognized valuation tools to determine actual cash value of vehicles when settling total loss claims.
- Use of aftermarket, re-manufactured and recycled parts in vehicle repairs.
- Discounted pricing on glass parts used in vehicle repairs.
- Ensuring collection of claims costs from other insurers and at-fault parties (subrogation).
- Sale of autos through salvage and tenders.
- A team-based approach to managing bodily injury claims intended to assist individuals in achieving as full a recovery as possible.

Each year, these initiatives significantly contain costs and generate revenue, which results in lower insurance premiums for our customers. For example, salvage auto sales and tenders yielded \$42.0 million in the 2016/17 fiscal year.

### Information Technology Processes

#### Information Technology Optimization

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

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

#### Business Continuity

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

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

## Outlook

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

### Basic Autopac Rates

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

On June 17, 2016, Manitoba Public Insurance filed its 2017/18 General Rate Application for Basic insurance with the Public Utilities Board. The application sought approval of a 2.0 per cent overall rate increase. Subsequently, an Interest Rate Forecast Risk Factor of an additional 2.3 per cent was requested for a total 4.3 per cent combined rate increase. The Interest Rate Forecast Risk Factor addressed persistent interest rate forecasting risk that was anticipated to negatively impact financial results. On December 15, 2016, the Public Utilities Board ordered a 3.7 per cent overall rate increase and changed the Basic ratemaking methodology to comply with Accepted Actuarial Practice in Canada. The previous ratemaking methodology, which was based on break-even fiscal year net income, exposed the Corporation to significant interest rate forecasting risk. The new methodology aligns the Corporation with the ratemaking practices used by other actuaries in Canada and reduces interest rate forecasting risk in the ratesetting process.

### Basic Autopac Net Income

The most significant impact to net income in 2016/17 was an \$83 million unfavourable actuarial adjustment made to prior year's injury claims liabilities. In the last six fiscal years, the Corporation has experienced an increased frequency of lifetime income replacement claims that is significantly higher than historical norms. This deterioration in injury claims experience was gradually being recognized in the actuarial valuations, since it takes several years to determine the exposure on long term claims. However, in 2016/17 the Corporation determined that the change in claims experience was permanent, and as a result, the liabilities required a significant adjustment.

The Corporation experienced its third consecutive mild winter in 2016/17 resulting in crash rates and injury rates that were below historical norms, although higher than in 2015/16. Offsetting this favourable experience over historical norms was the continued deterioration of comprehensive claims, which were more than \$35 million over budget. Comprehensive claims include hail, vandalism, glass, theft, and rodent claims. The Corporation expects collision frequency to return to historical norms in future years; however, hail frequency is expected to continue to track higher than historic norms based on recent experience. For hail claims in particular, changes in weather patterns will continue to be a major cause of variability in the Corporation's claims results. For other comprehensive claim perils, the Corporation is investigating ways to mitigate claims costs in the future.

The Corporation anticipates that equity returns will revert to historical norms in 2017/18, but this forecast is highly uncertain. While interest rates increased in 2016/17, the increases to the Corporation's fixed income assets were significantly less than forecasted. As a result, investment income was better than expected for this asset class. However, the banks consensus outlook for 2017/18 is that increasing interest rates will cause a decrease in investment income relative to prior years. The Corporation has an asset and liability management program in place that largely immunizes the Corporation from changes in interest rates on a net basis (i.e.: when assets and liabilities are considered together).

### Other Lines of Business Net Income

Extension and Special Risk Extension are expected to realize profits. Ongoing operations related to the administration of *The Drivers and Vehicles Act* are expected to generate some limited net income to replenish the Extension retained earnings used for start-up costs for the Manitoba Enhanced Identification Card, Manitoba Enhanced Driver's Licence and the Manitoba Identification Card. Beginning April 1, 2017, the government will increase its payments to the Corporation from \$29.3 million to \$30.2 million per year. Additionally, an annual indexing provision will be applied to the yearly funding for *The Drivers and Vehicles Act* administration.

### Loss Prevention

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

Road safety is a highly complex issue involving inter-dependencies between road users, the vehicles they drive, the roads they drive on, the legislation that governs driver and vehicle licensing, rules of the road and enforcement. The Corporation's road safety mandate is governed by legislation, and our efforts are guided by a three-year Operational Plan and formal frameworks. These guidelines ensure we set priorities that target the most critical issues with programs that are proven and effective, and evaluated in accordance with best practice standards. A major focus is to administer regulatory programs under *The Drivers and Vehicles Act* that monitor and manage high-risk or medically at risk drivers and that educate and create awareness of road safety risks. In 2016, we successfully completed the third and final year of the current Road Safety Operational Plan. A new multi-year Operational Plan will be launched in 2017, which will build on the progress of the past three years and set a course for the work ahead.

As our communities continue to grow and diversify, we also recognize the need to adopt new approaches to meet the needs of Manitoba's population.

# Condensed Financial Statements

For the fiscal year ended  
February 28, 2017

# Condensed Financial Statements

These financial statements are not audited. The February 28, 2017, audited financial statements are available at [mpi.mb.ca](http://mpi.mb.ca) or upon request.

## Condensed Statement of Financial Position

As At February 28/29

(Unaudited – in thousands of Canadian dollars)	Notes	2017	2016
<b>Assets</b>			
Cash and cash equivalents	5	73,434	37,322
Investments	5	2,545,130	2,455,622
Investment property	5	41,686	42,206
Due from other insurance companies		29	45
Accounts receivable		455,239	423,918
Prepaid expenses		2,483	2,318
Deferred policy acquisition costs		24,155	28,844
Reinsurers' share of unearned premiums		117	115
Reinsurers' share of unpaid claims		1,971	6,445
Property and equipment		116,059	115,652
Deferred development costs		89,496	78,430
		<b>3,349,799</b>	<b>3,190,917</b>
<b>Liabilities</b>			
Due to other insurance companies		173	178
Accounts payable and accrued liabilities		73,051	66,035
Financing lease obligation		4,189	4,281
Unearned premiums and fees		586,626	560,548
Provision for employee current benefits		22,750	22,685
Provision for employee future benefits		405,058	378,117
Provision for unpaid claims	4	1,900,783	1,769,110
		<b>2,992,630</b>	<b>2,800,954</b>
<b>Equity</b>			
Retained Earnings		261,532	346,736
Accumulated Other Comprehensive Income		95,637	43,227
<b>Total Equity</b>		<b>357,169</b>	<b>389,963</b>
		<b>3,349,799</b>	<b>3,190,917</b>

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

## Condensed Statement of Operations

For the years ended February 28/29 (Unaudited – in thousands of Canadian dollars)		Notes	2017	2016
<b>Earned Revenues</b>				
Gross premiums written			1,169,044	1,119,774
Premiums ceded to reinsurers			(15,624)	(16,588)
Net premiums written			1,153,420	1,103,186
Increase in gross unearned premiums			(23,406)	(33,040)
Increase in reinsurers' share of unearned premiums			2	36
Net premiums earned			1,130,016	1,070,182
Service fees & other revenue			31,547	30,980
<i>The Drivers and Vehicles Act operations recovery</i>			29,272	27,900
<b>Total Earned Revenues</b>			<b>1,190,835</b>	<b>1,129,062</b>
<b>Claims Costs</b>				
Direct claims incurred—gross			980,398	771,691
Claims (recovered) incurred ceded to reinsurers			900	(1,066)
Net claims incurred			981,298	770,625
Claims expense			137,102	134,511
Loss prevention/Road safety			14,801	15,316
<b>Total Claims Costs</b>			<b>1,133,201</b>	<b>920,452</b>
<b>Expenses</b>				
Operating			122,313	121,821
Commissions			77,880	77,076
Premium taxes			34,369	32,602
Regulatory/Appeal			4,911	3,694
<b>Total Expenses</b>			<b>239,473</b>	<b>235,193</b>
<b>Underwriting loss</b>			<b>(181,839)</b>	<b>(26,583)</b>
<b>Investment income (loss)</b>		6	<b>96,635</b>	<b>(4,731)</b>
<b>Net loss from operations</b>			<b>(85,204)</b>	<b>(31,314)</b>

## Condensed Statement of Comprehensive Income (Loss)

For the years ended February 28/29 (Unaudited – in thousands of Canadian dollars)		Notes	2017	2016
<b>Net loss from operations</b>			<b>(85,204)</b>	<b>(31,314)</b>
<b>Other Comprehensive Income (Loss)</b>				
Items that will not be reclassified to income				
Remeasurement of Employee Future Benefits			(10,489)	32,395
Items that will be reclassified to income				
Unrealized gains (losses) on Available for Sale assets			103,068	(66,316)
Reclassification of net realized (gains) losses related to Available for Sale assets			(40,169)	33,771
Net unrealized gains (losses) on Available for Sale assets			62,899	(32,545)
Other Comprehensive Income (Loss) for the year			52,410	(150)
<b>Total Comprehensive Loss</b>			<b>(32,794)</b>	<b>(31,464)</b>

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

## Condensed Statement of Changes in Equity

(Unaudited – in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 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
Net loss from operations for the year	(85,204)	-	(85,204)
Other comprehensive income for the year	-	52,410	52,410
<b>Balance as at February 28, 2017</b>	<b>261,532</b>	<b>95,637</b>	<b>357,169</b>

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

## Condensed Statement of Cash Flows

For the years ended February 28/29

(Unaudited – in thousands of Canadian dollars)

Notes

2017

2016

### Cash Flows from (to) Operating Activities

Net loss from operations		<b>(85,204)</b>	(31,314)
Non-cash items			
Depreciation of property and equipment		<b>5,193</b>	5,670
Amortization of deferred development costs		<b>16,859</b>	11,506
Amortization of bond discount and premium		<b>3,516</b>	3,754
Gain on sale of investments		<b>(42,157)</b>	(14,778)
Unrealized loss on Fair Value Through Profit or Loss bonds		<b>23,843</b>	76,744
Unrealized gain on pooled real estate		<b>(16,422)</b>	(12,713)
Unrealized (gain) loss on infrastructure investments		<b>1,483</b>	(6,375)
Impairment of Available for Sale investments		-	33,375
		<b>(92,889)</b>	65,869

### Net change in non-cash balances

Due from other insurance companies		<b>16</b>	398
Accounts receivable and prepaid expenses		<b>(31,486)</b>	(37,790)
Deferred policy acquisition costs		<b>4,689</b>	(4,830)
Reinsurers' share of unearned premiums and unpaid claims		<b>4,472</b>	1,637
Due to other insurance companies		<b>(5)</b>	177
Accounts payable and accrued liabilities		<b>7,016</b>	3,748
Unearned premiums and fees		<b>26,078</b>	33,427
Provision for employee current benefits		<b>65</b>	521
Provision for employee future benefits		<b>16,452</b>	19,393
Provision for unpaid claims		<b>131,673</b>	(17,456)
		<b>158,970</b>	(775)
		<b>66,081</b>	65,094

### Cash Flows from (to) Investing Activities

Purchase of investments		<b>(831,239)</b>	(1,055,166)
Proceeds from sale of investments		<b>834,887</b>	981,785
Acquisition of property and equipment net of proceeds from disposals		<b>(5,600)</b>	(2,343)
Financing lease obligation		<b>(92)</b>	(83)
Deferred development costs incurred		<b>(27,925)</b>	(20,847)
		<b>(29,969)</b>	(96,654)

### Increase (decrease) in Cash and Cash Equivalents

Cash and cash equivalents beginning of year		<b>37,322</b>	68,882
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### Cash and Cash Equivalents end of year

5

73,434

37,322

### Supplemental cash flow information

Interest received		<b>49,083</b>	50,052
Dividends received		<b>16,075</b>	16,963

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

# Notes to Condensed Financial Statements

February 28, 2017

## 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 25, 2017.

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

For a complete listing of significant accounting policies, please refer to the February 28, 2017 audited financial statements available at [mpi.mb.ca](http://mpi.mb.ca).

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

#### Investments

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

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

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

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

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.

Investments that are determined to be impaired are written down to their expected recoverable amount. For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

#### Fair Value Determination

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

#### Property and Equipment

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

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

#### Land & Building

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

#### Furniture & Equipment

- computer equipment / 3 years
- vehicles / 5 years
- furniture and equipment / 10 years
- demountable wall systems / 10 years

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

#### Revenue

##### Premiums

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

##### Unearned Premiums

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

##### Interest Revenue

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

##### 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 and Corporate policy.

### Provision for Employee Future Benefits

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

#### i. Pension Benefit Plan

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

The Corporation values its pension benefit plan annually, the most recent valuation is at December 31, 2016. Roll-forward procedures are performed to ensure that the December 31, 2016 valuation is a reliable estimate of the valuation at February 28, 2017.

#### 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.

### Allocation of Revenue, Claims Incurred and Expenses

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

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

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

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

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

- i. Identifiable direct expenses are charged to each line of business.
- ii. Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees, time usage, Contact Centre statistics, premiums written ratios and net claims incurred ratios. The basis for allocation of indirect shared expenses is approved by the Board of Directors.
- iii. The allocation of improvement initiative costs is based on a review of each project to determine which line of business will benefit from the project. The allocation basis for each project is approved by the Board of Directors.

### Reinsurance Ceded

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

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

### 4. Provision for Unpaid Claims

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

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

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

### 5. Investments

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

Cash equivalent investments have a total principal amount of \$61.5 million (February 29, 2016 – \$25.3 million) comprised of provincial short-term deposits with effective interest rates of 0.55 per cent (February 29, 2016 – 0.52 per cent), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of \$5.0 million (February 29, 2016 – \$5.0 million). There were no drawdowns against this line of credit at February 28, 2017 (February 29, 2016 – nil).

## Cash and Investments

(Unaudited – in thousands of Canadian dollars)

As at February 28, 2017	Financial Instruments			Non-Financial Instruments	Total Fair Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
Cash and cash equivalents	73,434	–	–	–	73,434
Bonds					
Federal	–	–	59,310	–	59,310
Manitoba:					
Provincial	–	–	142,556	–	142,556
Municipal	–	10,697	31,741	–	42,438
Schools	–	631,919	–	–	631,919
Other provinces:					
Provincial	–	–	738,625	–	738,625
Municipal	–	–	65,533	–	65,533
Corporations	–	–	59,626	–	59,626
	–	642,616	1,097,391	–	1,740,007
Other investments	1,493	–	–	–	1,493
Infrastructure	–	–	95,010	–	95,010
Equity investments	474,639	–	–	–	474,639
Pooled Real Estate Fund	–	–	233,981	–	233,981
Investments	476,132	642,616	1,426,382	–	2,545,130
Investment property	–	–	–	41,686	41,686
<b>Total</b>	<b>549,566</b>	<b>642,616</b>	<b>1,426,382</b>	<b>41,686</b>	<b>2,660,250</b>

(Unaudited – in thousands of Canadian dollars)

As at February 29, 2016	Financial Instruments			Non-Financial Instruments	Total Fair Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
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
<b>Total</b>	<b>508,428</b>	<b>623,398</b>	<b>1,361,118</b>	<b>42,206</b>	<b>2,535,150</b>

## 6. Investment Income (Loss)

(Unaudited – in thousands of Canadian dollars)	2017	2016
Interest income	<b>48,514</b>	51,278
Gain on sale of FVTPL bonds	<b>1,988</b>	15,174
Unrealized loss on FVTPL bonds	<b>(23,843)</b>	(76,744)
Unrealized gain on pooled real estate	<b>16,422</b>	12,713
Dividends on infrastructure investments	<b>1,560</b>	1,364
Unrealized gain (loss) on infrastructure investments	<b>(1,483)</b>	6,375
Dividend income	<b>14,560</b>	15,529
Gain (loss) on sale of equities and other investments	<b>40,169</b>	(396)
Gain on foreign exchange	<b>308</b>	13
Gain on sale of investment property	–	4,412
Income from investment property	<b>3,050</b>	3,206
Impairment of AFS investments	–	(33,375)
Investment management fees	<b>(4,610)</b>	(4,280)
Total	<b>96,635</b>	(4,731)

## 7. Employee Future Benefits Expense

(Unaudited – in thousands of Canadian dollars)	2017	2016
Pension benefits	<b>27,065</b>	26,863
Other post-employment benefits	<b>5,792</b>	6,345
Total	<b>32,857</b>	33,208

## 8. Depreciation and Amortization

(Unaudited – in thousands of Canadian dollars)	2017	2016
Amortization – deferred development	<b>16,859</b>	11,506
Depreciation – property and equipment	<b>5,193</b>	5,670

# Manitoba Public Insurance Locations

## Customer Service

### Winnipeg

T: 204-985-7000

### Outside Winnipeg (Toll-Free)

T: 800-665-2410

### Deaf Access TTY/TDD

T: 204-985-8832

### Out-of-Province Claims

T: 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

*cityplace*

234 Donald Street  
Service Centre, Main Floor  
ID Verification and  
Data Integrity  
Rehabilitation  
Management Centre  
Serious and Long-Term  
Case Management  
Centre

Bodily Injury Centre

*Physical Damage Centre*

1981 Plessis Road  
Holding Compound/  
Receiving  
Salvage  
Commercial Claims

### Arborg

*Service Centre*

323 Sunset Boulevard

### Beausejour

*Service Centre*

848 Park Avenue

### Brandon

*Service Centre*

731 1st Street

### Dauphin

*Service Centre*

217 Industrial Road

### Flin Flon

*Claim Centre*

8 Timber Lane

### Portage La Prairie

*Service Centre*

2007 Saskatchewan  
Avenue West

### Selkirk

*Service Centre*

1008 Manitoba Avenue

### Steinbach

*Service Centre*

91 North Front Drive

### Swan River

*Claim Centre*

125 4th Avenue North

### The Pas

*Claim Centre*

424 Fischer Avenue

### Thompson

*Service Centre*

53 Commercial Place

### Winkler

*Service Centre*

355 Boundary Trail





**Manitoba  
Public Insurance**