

Quarterly Financial Report

3rd QUARTER

Nine months ended
November 30, 2017



**Manitoba
Public Insurance**

Management Discussion and Analysis

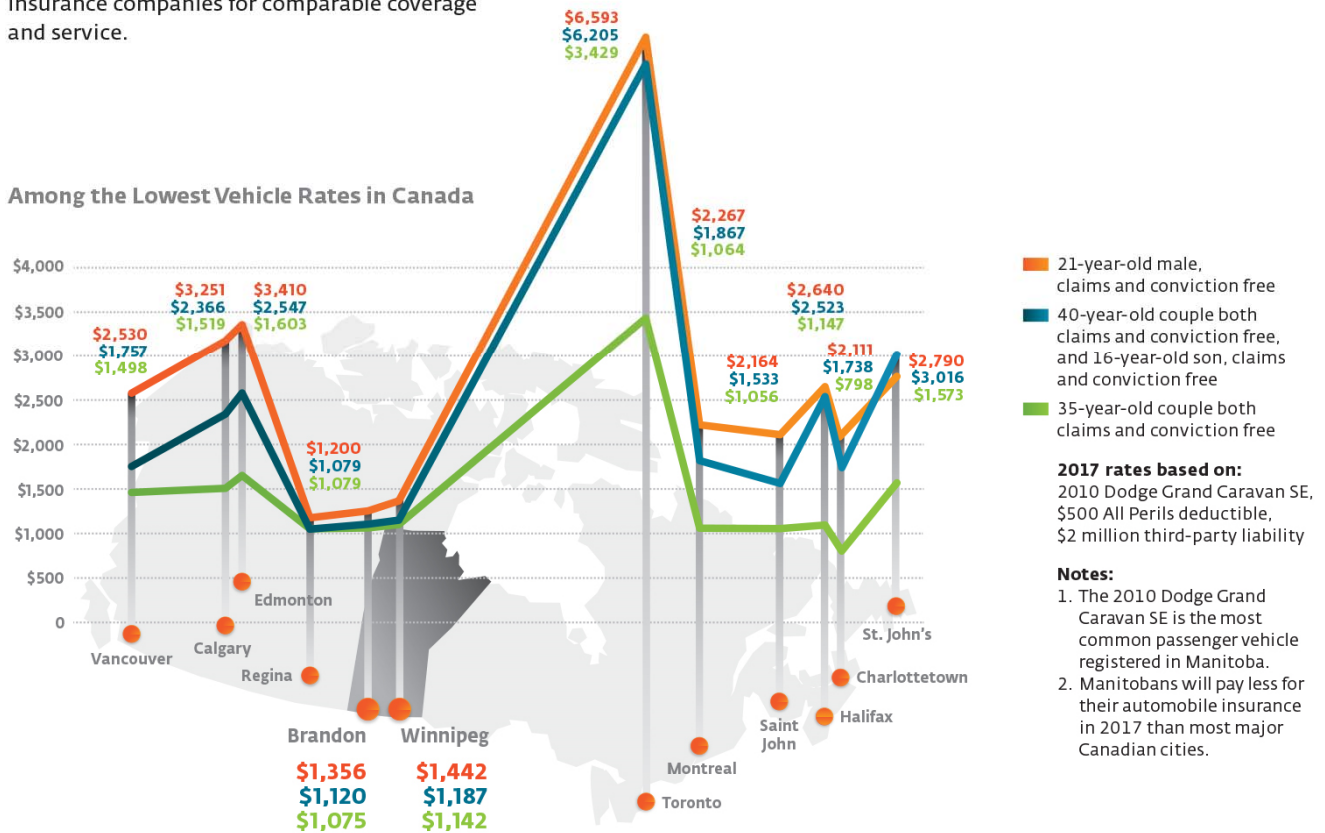
Management’s discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the third quarter ended November 30, 2017, included herein, the annual audited financial statements and supporting notes and the Corporation’s 2016 Annual Report. Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions, including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Goal 1

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

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

Among the Lowest Vehicle Rates in Canada



2017 rates based on:
 2010 Dodge Grand Caravan SE,
 \$500 All Perils deductible,
 \$2 million third-party liability

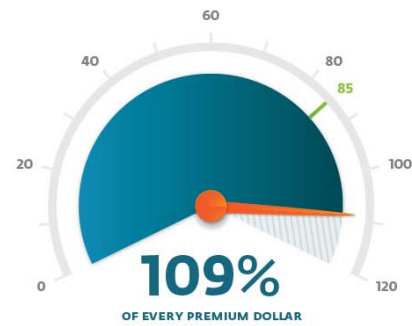
- Notes:**
1. The 2010 Dodge Grand Caravan SE is the most common passenger vehicle registered in Manitoba.
 2. Manitobans will pay less for their automobile insurance in 2017 than most major Canadian cities.

Goal 2

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

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

Premium Returned for Each Dollar Earned



Past results

93% Q4-15/16	101% Q1-16/17	110% Q2-16/17	105% Q3-16/17	110% Q4-16/17	112% Q1-17/18	100% Q2-17/18	109% Q3-17/18
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Goal 3

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

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

Corporate Performance Index



Past results

3.6 Q4-15/16	3.5 Q1-16/17	3.5 Q2-16/17	3.6 Q3-16/17	3.6 Q4-16/17	3.6 Q1-17/18	3.5 Q2-17/18	3.6 Q3-17/18
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Goal 4

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

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

Overall, How Often We Meet/Exceed Standards



Past results

97% Q4-15/16	98% Q1-16/17	97% Q2-16/17	98% Q3-16/17	98% Q4-16/17	98% Q1-17/18	98% Q2-17/18	98% Q3-17/18
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Customer satisfaction in major operational areas

Physical Damage Claims



Past results

88% Q4-15/16	87% Q1-16/17	86% Q2-16/17	87% Q3-16/17
89% Q4-16/17	86% Q1-17/18	90% Q2-17/18	91% Q3-17/18

Bodily Injury Claims



Past results

86% Q1-16/17	84% Q3-16/17
84% Q1-17/18	82% Q3-17/18

Driver and Vehicle Licensing



Past results

91% Q4-15/16	92% Q1-16/17	93% Q2-16/17	93% Q3-16/17
93% Q4-16/17	94% Q1-17/18	95% Q2-17/18	95% Q3-17/18

Insurance Operations Policyholder Transactions



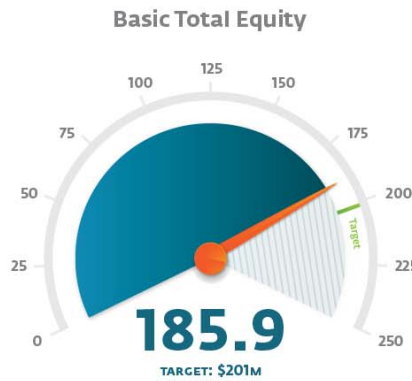
Past results

91% Q4-15/16	90% Q1-16/17	91% Q2-16/17	91% Q3-16/17
92% Q4-16/17	92% Q1-17/18	94% Q2-17/18	93% Q3-17/18

Goal 5

Total equity will be maintained within established target levels.

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



Past results

Actual Target	181.0 181.0 Year-End-Feb. 28, 2017	183.3 181.0 Q1-17/18	166.8 181.0 Q2-17/18	185.9 201.0 Q3-17/18

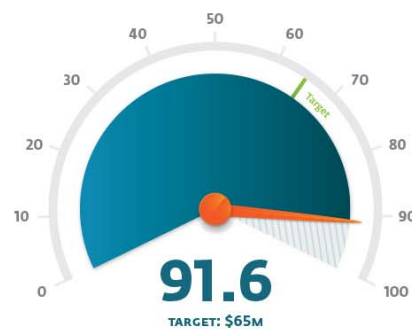
Extension Total Equity



Past results

Actual Target	98.5 67.0 Year-End-Feb. 28, 2017	111.3 67.0 Q1-17/18	120.2 67.0 Q2-17/18	132.9 64.0 Q3-17/18

SRE Total Equity



Past results

Actual Target	77.7 65.0 Year-End-Feb. 28, 2017	84.9 65.0 Q1-17/18	85.2 65.0 Q2-17/18	91.6 65.0 Q3-17/18

Goal 6

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

Why? We value our employees.



Past results



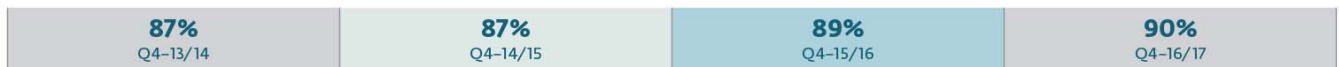
Goal 7

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

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



Past results



Results of Operations

Manitoba Public Insurance (MPI) reported net income of \$61.3 million for the nine months ended November 30, 2017, compared to restated net income of \$0.7 million for the same period last year. This includes net income of \$11.1 million (2016 – restated net loss of \$30.1 million) from the Basic insurance line of business. Corporate net income increased from the previous year by \$60.6 million due to:

- i) an increase in earned revenues of \$53.1 million, offset by an increase in total expenses of \$0.8 million;
- ii) an increase in claims costs of \$40.1 million;
- iii) an increase in investment income of \$48.4 million mainly due to higher unrealized gains on bonds of \$63.6 million and \$8.9 million on real estate-pooled funds, offset by increased realized loss on bonds of \$14.6 million and lower gains on equities and other investments of \$13.8 million.

Current Year and Last Year

Total earned revenues for the nine months ended November 30, 2017, increased from the previous year by \$53.1 million. This increase is primarily attributed to motor vehicle earned revenues which increased by \$45.9 million, or 6.0%. The increase in motor vehicle earned revenues is primarily due to the growth in the number of vehicles on the road in Manitoba and the value of these vehicles, the approved average 3.7% rate increase and movement of drivers down the Driver Safety Rating scale.

Claims costs for the nine months ended November 30, 2017 increased by \$40.1 million, or 5.0%, compared to last year due primarily to an increase of \$73.0 million, or 38.7%, in bodily injury claims incurred, offset by a decrease of \$39.0 million, or 7.7%, in physical damage claims incurred. The \$73.0 million increase in bodily injury claims was impacted by an increase of \$25.2 million due to the interest rate adjustment on unpaid claims. Claims expenses increased by \$7.3 million, or 7.3%, from the previous year, offset by a decrease in road safety and loss prevention expenses of \$1.3 million, or 12.3%.

Total expenses increased by \$0.8 million compared to last year due primarily to an increase of \$1.8 million, or 3.1%, in commission expenses and an increase of \$1.5 million, or 5.8% in premium taxes, offset by a decrease of \$2.3 million, or 2.5%, in operating expenses and \$0.2 million, or 5.1%, in regulatory appeal expenses.

Retained Earnings

Net income of \$61.3 million for the first nine months ending November 30, 2017, increased retained earnings from \$261.5 million to \$322.8 million (restated November 30, 2016 – \$347.7 million). Retained earnings are comprised of \$110.3 million for Basic insurance (restated November 30, 2016 - \$167.1 million) and \$212.5 million for non-Basic lines (restated November 30, 2016 - \$180.3 million).

Total Equity

Total equity of \$410.3 million (restated November 30, 2016 – \$444.1 million) is comprised of \$322.8 million retained earnings and \$87.5 million accumulated other comprehensive income (November 30, 2016 - \$96.6 million).

The Corporation's Chief Actuary concluded that a minimum total equity level of \$201.0 million would be required for Basic to achieve satisfactory future financial condition. At the end of the third quarter, Basic insurance reported total equity of \$185.9 million (restated November 2016 – \$249.5 million). Extension's current capital target level for total equity is \$64.0 million based on the Minimum Capital Test as at February 28, 2017. At the end of the third quarter, Extension insurance reported total equity of \$132.9 million (restated November 30, 2016 - \$113.0 million). Special Risk Extension's current capital target level for total equity is \$65.0 million based on the Minimum Capital Test as at February 28, 2017. At the end of the third quarter, Special Risk Extension insurance reported total equity of \$91.6 million (restated November 30, 2016 - \$81.7 million).

Outlook

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

On December 4, 2017, the Public Utilities Board (PUB) released its ruling (Order 130/17) on the Corporation's rate application for the 2018/19 fiscal year. Effective March 1, 2018, overall average Basic insurance rates will increase by 2.6% from the previous year. This marks the fourth time in the past 10 years that Manitoba Public Insurance will be increasing rates for Manitobans.

The 2017 Dynamic Capital Adequacy Test, developed collaboratively through past General Rate Application processes, indicates that a minimum total equity balance of \$201.0 million is required for Basic to remain adequately capitalized at the 1-in-40-year risk level. PUB Order 130/17 established a lower threshold for total equity of \$180.0 million, which is less than the amount required to meet satisfactory financial conditions. The Corporation has set its internal lower target for total equity at \$201.0 million for the 2017/18 fiscal year. The PUB approved an upper threshold for total equity of \$325.0 million.

The approved 2.6% overall general rate increase does not mean that rates for all vehicles within each major class will increase by this amount. Based on MPI's rate design, major vehicle classes will be impacted as follows:

- Private passenger (+2.6% change)
- Commercial (+1.2% change)
- Public (Taxi) (+1.0% change)
- Motorcycle (+2.5% change)
- Trailers (+11.4% change)
- Off-road vehicles (-16.7% change)
- Total overall (+2.6% change)

Over 409,311 vehicles (36.2%) will experience either no change or a reduction in rates from the previous year. Rates paid by individual policyholders within each class will be determined based on their driving record, the registered vehicle (make and model and year), the purpose for which the vehicle is driven and the territory in which the policyholder resides. The breakdown of vehicles receiving a reduction, no change or an increase is as follows:

- 297,037 (26.3%) of vehicles receiving a decrease in rate
- 112,274 (9.9%) of vehicles receiving no change in rate
- 720,956 (63.8%) of vehicles receiving an increase in rate

The PUB approved an increase in driver's licence premiums on the demerit side of the Driver Safety Rating program that equates to an overall increase of 1.8%.

There will be no change to permit and certificate rates, vehicle premium discounts, service and transaction fees, fleet rebates or surcharges, or the \$40 discount on approved aftermarket and manufacturer/dealer installed anti-theft devices.

MPI is committed to keeping rates stable over the long term. The Corporation continues to have one of the lowest rates of year-over-year premium increases of all Canadian provinces. MPI continued to exceed its mandate for the Basic plan of returning at least 85 cents of every dollar collected in Basic premiums to Manitobans in the form of claims benefits. For 2016/17, the return was \$1.10 on every dollar.

Condensed Interim Financial Statements

Condensed Interim Statement of Financial Position

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	November 30, 2017	February 28, 2017
Assets			
Cash and cash equivalents	5	66,769	73,434
Investments	5	2,664,303	2,545,130
Investment property	5	40,976	41,686
Due from other insurance companies		9	29
Accounts receivable		476,189	455,239
Prepaid expenses		7,791	2,483
Deferred policy acquisition costs		26,548	24,155
Reinsurers' share of unearned premiums		3,864	117
Reinsurers' share of unpaid claims		2,415	1,971
Property and equipment		116,966	116,059
Deferred development costs		87,383	89,496
		3,493,213	3,349,799
Liabilities			
Due to other insurance companies		188	173
Accounts payable and accrued liabilities		64,923	73,051
Financing lease obligation		4,117	4,189
Unearned premiums		590,526	586,626
Provision for employee current benefits		22,534	22,750
Provision for employee future benefits		415,526	405,058
Provision for unpaid claims	4	1,985,054	1,900,783
		3,082,868	2,992,630
Equity			
Retained Earnings		322,804	261,532
Accumulated Other Comprehensive Income		87,541	95,637
Total Equity		410,345	357,169
		3,493,213	3,349,799

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

Condensed Interim Statement of Operations

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	Three months ended		Nine months ended	
		November 30, 2017	November 30, 2016 Restated	November 30, 2017	November 30, 2016 Restated
Earned Revenues					
Gross premiums written		307,190	285,116	941,782	884,128
Premiums ceded to reinsurers		(71)	(45)	(15,266)	(15,516)
Net premiums written		307,119	285,071	926,516	868,612
(Increase) decrease in gross unearned premiums		(1,906)	1,774	(29,890)	(21,845)
Increase (decrease) in reinsurers' share of unearned premiums		(3,771)	(3,860)	3,747	3,798
Net premiums earned		301,442	282,985	900,373	850,565
Service fees & other revenue		9,146	8,222	26,393	23,790
The Drivers and Vehicles Act operations recovery		7,562	7,349	22,616	21,923
Total Earned Revenues		318,150	298,556	949,382	896,278
Claims Costs					
Direct claims incurred - gross		262,456	159,059	728,125	693,056
Claims (recovered) incurred ceded to reinsurers		(33)	2	(473)	447
Net claims incurred		262,423	159,061	727,652	693,503
Claims Expense		34,992	34,534	107,668	100,350
Loss prevention/Road safety		3,753	3,767	9,359	10,667
Total Claims Costs		301,168	197,362	844,679	804,520
Expenses					
Operating		28,556	30,130	88,393	90,700
Commissions		20,019	19,123	59,717	57,920
Premium taxes		9,158	8,606	27,357	25,868
Regulatory/Appeal		1,207	1,193	3,149	3,319
Total Expenses		58,940	59,052	178,616	177,807
Underwriting income (loss)		(41,958)	42,142	(73,913)	(86,049)
Investment income (loss)	6	60,907	(14,481)	135,185	86,756
Net income from operations		18,949	27,661	61,272	707

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)	Three months ended		Nine months ended	
	November 30, 2017	November 30, 2016 Restated	November 30, 2017	November 30, 2016 Restated
Net income from operations	18,949	27,661	61,272	707
Other Comprehensive Income (Loss)				
Items that will be reclassified to income				
Unrealized gains (losses) on Available for Sale assets	33,007	26,008	19,782	93,238
Reclassification of net realized (gains) losses related to Available for Sale assets	(13,801)	(34,207)	(27,878)	(39,858)
Total Available for Sale assets	19,206	(8,199)	(8,096)	53,380
Other Comprehensive Income (Loss) for the period	19,206	(8,199)	(8,096)	53,380
Total Comprehensive Income	38,155	19,462	53,176	54,087

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

Condensed Interim Statement of Changes in Equity

(Unaudited - in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2016	346,736	43,227	389,963
Net income from operations for the period (restated)	707	-	707
Other comprehensive income for the period	-	53,380	53,380
Balance as at November 30, 2016 (restated)	347,443	96,607	444,050
Balance as at March 1, 2017	261,532	95,637	357,169
Net income from operations for the period	61,272	-	61,272
Other comprehensive loss for the period	-	(8,096)	(8,096)
Balance as at November 30, 2017	322,804	87,541	410,345

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

Condensed Interim Statement of Cash Flows

(Unaudited - in thousands of Canadian dollars)		Nine months ended	
	<i>Notes</i>	November 30, 2017	November 30, 2016 Restated
Cash Flows from (to) Operating Activities:			
Net income from operations		61,272	707
Non-cash items:			
Depreciation of property and equipment		3,714	3,901
Amortization of deferred development costs		15,572	12,887
Amortization of bond discount and premium		2,698	2,641
(Gain) loss on sale of investments		(23,357)	(49,860)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		(39,998)	23,612
Unrealized (gain) loss on investment in real estate		(20,726)	(11,810)
Unrealized (gain) loss on investment in infrastructure		(1,239)	(584)
		(2,064)	(18,506)
Net change in non-cash balances:			
Due from other insurance companies		20	(12)
Accounts receivable and prepaid expenses		(26,258)	(14,565)
Deferred policy acquisition costs		(2,393)	113
Reinsurers' share of unearned premiums and unpaid claims		(4,191)	201
Due to other insurance companies		15	15
Accounts payable and accrued liabilities		(8,128)	(2,727)
Unearned premiums		3,900	(2,951)
Provision for employee current benefits		(216)	725
Provision for employee future benefits		10,468	12,334
Provision for unpaid claims		84,271	60,748
		57,488	53,881
		55,424	35,375
Cash Flows from (to) Investing Activities:			
Purchase of investments		(747,297)	(621,190)
Proceeds from sale of investments		703,360	623,443
Acquisition of property and equipment net of proceeds from disposals		(4,621)	(1,929)
Financing lease obligation		(72)	(68)
Deferred development costs incurred		(13,459)	(21,540)
		(62,089)	(21,284)
Increase (decrease) in Cash and Cash Equivalents		(6,665)	14,091
Cash and cash equivalents beginning of period		73,434	37,322
Cash and Cash Equivalents end of period	5	66,769	51,413

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

Notes to Financial Statements

1) Status of the Corporation

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

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

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

2) Basis of Reporting

Statement of Compliance

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

Basis of Presentation

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

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

Seasonality

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

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 3 of the 2016 Annual Report. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value).

Estimates and Judgments

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

3) Summary of Significant Accounting Policies

Refer to the 2016 Annual Audited Financial Statements for a summary outlining those accounting policies followed by the Corporation that have a significant effect on the condensed interim financial statements.

4) Provision for Unpaid Claims

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

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

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

5) Cash and Investments

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

Cash equivalent investments have a total principal amount of \$70.6 million (November 30, 2016 – \$58.2 million), comprised of provincial short-term deposits with effective interest rates of 0.85% (November, 2016 - 0.53%), 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 (November 30, 2016 - \$5.0 million). There were no drawdowns against this line of credit at November 30, 2017 (November 30, 2016 – nil).

Cash and Investments

(in thousands of Canadian dollars)	Financial Instruments			Non-Financial Instruments	Total Fair Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at November 30, 2017					
Cash and cash equivalents	66,769	-	-	-	66,769
Bonds					
Federal	-	-	29,105	-	29,105
Manitoba:					
Provincial	-	-	130,710	-	130,710
Municipal	-	20,802	33,261	-	54,063
Schools	-	597,728	-	-	597,728
Other provinces:					
Provincial	-	-	902,230	-	902,230
Municipal	-	-	71,619	-	71,619
Corporations	-	-	108,238	-	108,238
	-	618,530	1,275,163	-	1,893,693
Other investments	1,493	-	-	-	1,493
Infrastructure	-	-	95,502	-	95,502
Equity investments	418,907	-	-	-	418,907
Pooled Real Estate Fund	-	-	254,708	-	254,708
Investments	420,400	618,530	1,625,373	-	2,664,303
Investment property	-	-	-	40,976	40,976
Total	487,169	618,530	1,625,373	40,976	2,772,048

(in thousands of Canadian dollars)	Financial Instruments			Non-Financial Instruments	Total Fair Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at November 30, 2016					
Cash and cash equivalents	51,413	-	-	-	51,413
Bonds					
Federal	-	-	223,593	-	223,593
Manitoba:					
Provincial	-	-	143,688	-	143,688
Municipal	-	11,666	32,090	-	43,756
Schools	-	583,300	-	-	583,300
Other provinces:					
Provincial	-	-	635,320	-	635,320
Municipal	-	-	68,142	-	68,142
Corporations	-	-	55,887	-	55,887
	-	594,966	1,158,720	-	1,753,686
Other investments	1,526	-	-	-	1,526
Infrastructure	-	-	97,076	-	97,076
Equity investments	461,369	-	-	-	461,369
Pooled Real Estate Fund	-	-	229,369	-	229,369
Investments	462,895	594,966	1,485,165	-	2,543,026
Investment property	-	-	-	41,929	41,929
Total	514,308	594,966	1,485,165	41,929	2,636,368

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

As at November 30, 2017

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	260,975	130,977	391,952
With unrealized (losses)	29,611	(2,656)	26,955
Subtotal – Equity Investments	290,586	128,321	418,907
Other Investments			
With unrealized gains	28	1,126	1,154
With unrealized (losses)	371	(32)	339
Subtotal – Other Investments	399	1,094	1,493
Total AFS Equity and Other Investments	290,985	129,415	420,400

As at November 30, 2016

(in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	302,980	130,243	433,223
With unrealized (losses)	31,523	(3,377)	28,146
Subtotal – Equity Investments	334,503	126,866	461,369
Other Investments			
With unrealized gains	401	1,125	1,526
With unrealized (losses)	-	-	-
Subtotal – Other Investments	401	1,125	1,526
Total AFS Equity and Other Investments	334,904	127,991	462,895

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

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

Fair Value Measurement

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

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

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

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

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

As at November 30, 2017

(in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	-	1,260,052	15,111
Infrastructure	-	-	95,502
Pooled real estate	-	254,708	-
Total FVTPL financial assets	-	1,514,760	110,613
AFS financial assets			
Cash and cash equivalents	66,769	-	-
Other investments	-	-	1,493
Equity investments	418,907	-	-
Total AFS financial assets	485,676	-	1,493
Total assets measured at fair value	485,676	1,514,760	112,106

As at November 30, 2016

(in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	193,978	949,980	14,762
Infrastructure	-	-	97,076
Pooled real estate	-	229,369	-
Total FVTPL financial assets	193,978	1,179,349	111,838
AFS financial assets			
Cash and short term investments	51,413	-	-
Other investments	-	-	1,526
Equity investments	461,369	-	-
Total AFS financial assets	512,782	-	1,526
Total assets measured at fair value	706,760	1,179,349	113,364

Fair value measurement of instruments included in Level 3 (in thousands of Canadian dollars)	FVTPL		AFS	
	2017	2016	2017	2016
Balance at March 1	110,121	102,637	1,493	2,115
Total gains/(losses)				
Included in net income	1,239	583	-	168
Included in other comprehensive income	-	-	-	(169)
Purchases	-	13,266	-	-
Sales	-	(4,648)	-	(588)
Return of Capital	(747)	-	-	-
Balance at November 30	110,613	111,838	1,493	1,526

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

6) Investment Income

(in thousands of Canadian dollars)	November 30, 2017	November 30, 2016
Interest income	38,986	36,574
Gain (loss) on sale of FVTPL bonds	(4,553)	10,002
Unrealized gain(loss) on FVTPL bonds	39,998	(23,613)
Unrealized gain on pooled real estate	20,726	11,810
Dividends on infrastructure investments	1,452	1,171
Unrealized gain on infrastructure investments	1,239	584
Dividend income	9,950	11,392
Gain on sale of equities and other investments	27,878	31,918
Gain (loss) on foreign exchange	(28)	8,277
Income from investment property	2,379	2,144
Investment management fees	(2,842)	(3,503)
Total Investment income (loss)	135,185	86,756

7) Employee Future Benefits Expense

The total benefits costs included in expenses are as follows:

(in thousands of Canadian dollars)	November 30, 2017	November 30, 2016
Pension benefits	20,914	19,773
Other post-employment benefits	1,384	1,353
Total	22,298	21,126

8) Depreciation and Amortization

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

(in thousands of Canadian dollars)	November 30, 2017	November 30, 2016
Amortization – Deferred Development	15,572	12,887
Depreciation – Property and equipment	3,714	3,901
Total	19,286	16,788

For more information contact:

**Manitoba Public Insurance
Communications & Community Relations**

Room 820, 234 Donald Street

P.O. Box 6300

Winnipeg, MB R3C 4A4



**Manitoba
Public Insurance**