Quarterly Financial Report

1st QUARTER

Three months ended
May 31, 2018

Manitoba Public Insurance

Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the first quarter ended May 31, 2018 included herein and the annual audited financial statements and supporting notes and the Corporation's 2017 Annual Report available at mpi.mb.ca. 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.

Q1 Corporate Performance Measures and Targets

First quarter results / March 1, 2018–May 31, 2018

MANITOBA PUBLIC INSURANCE

FINANCIAL PERFORMANCE

Net Premiums Earned

In millions

ACTUAL Q1 18/19	TARGET Q1 18/19	PAST Q1 17/18	ANNUAL TARGET 18/19
$313.6	$312.1	$290.2	$1,276.5

Net Claims Incurred

In millions

ACTUAL Q1 18/19	TARGET Q1 18/19	PAST Q1 17/18	ANNUAL TARGET 18/19
$223.9	$228.7	$254.1	$959.0

Corporate Claims Cost Ratio

(Total Claims Cost / Net Premiums Earned)

ACTUAL Q1 18/19	TARGET Q1 18/19	PAST Q1 17/18	ANNUAL TARGET 18/19
84.0%	87.0%	101.3%	88.5%

Total Return – Investments

ACTUAL Q1 18/19	TARGET Q1 18/19	PAST Q1 17/18	ANNUAL TARGET 18/19
1.49%	1.95%	2.77%	4.62%

OPERATIONAL EXCELLENCE

Total Full-Time Equivalent (Average)

ACTUAL Q1 18/19	TARGET Q1 18/19	PAST Q1 17/18	ANNUAL TARGET 18/19
1,762	1,878	1,913	1,884

Operating Expense Ratio

(Operating Expenses / Net Premiums Earned)

ACTUAL Q1 18/19	TARGET Q1 18/19	PAST Q1 17/18	ANNUAL TARGET 18/19
10.3%	10.0%	10.5%	9.7%

CUSTOMER SERVICE

Customer Satisfaction Index

ACTUAL Q1 18/19	TARGET Q1 18/19	PAST Q1 17/18	ANNUAL TARGET 18/19
90%	89%	89%	89%

Note: Manitoba Public Insurance will conduct a review of our customer satisfaction metrics during the 2018/19 year.

ORGANIZATIONAL HEALTH

Employee Engagement

ACTUAL 2015	ACTUAL 2016	TARGET 2018
68%	73%	75%

Capital Adequacy (Minimum Capital Test)

Basic

ACTUAL Q1 18/19	TARGET Q1 18/19	ANNUAL TARGET 18/19
51%	75–100%	75–100%

Extension

ACTUAL Q1 18/19	TARGET Q1 18/19	ANNUAL TARGET 18/19
480%	200%	200%

Special Risk Extension

ACTUAL Q1 18/19	TARGET Q1 18/19	ANNUAL TARGET 18/19
390%	300%	300%

Results of Operations

Manitoba Public Insurance reported net income of $33.7 million for the three months ended May 31, 2018 compared to net income of $38.9 million for the same period last year. This includes net income of $14.9 million (2017 – net income of $15.4 million) from the Basic insurance line of business. Corporate net income decreased from the previous year by $5.2 million due to:

i) an increase in earned revenues of $23.2 million, offset by a increase in total expenses of $3.7 million;
ii) a decrease in claims cost of $30.6 million;
iii) a decrease in investment income of $57.0 million mainly due to the decrease of unrealized gains on Fair Value Through Profit or Loss bonds of $47.3 million and decrease gains on the sale of equities and other investments of $9.7 million.

Current Year and Last Year

Total earned revenues for the three months ended May increased from the previous year by $23.2 million. This increase is primarily attributed to motor vehicle earned revenues which increased by $19.2 million or 6.8%. The increase in earned revenues is primarily due to the growth in the number of vehicles on the road in Manitoba, and the value of these vehicles and movement of drivers down the Drivers Safety Rating scale resulted in higher premiums.

Claims costs for the three months ended May 31, 2018 decreased by $30.6 million or 11.6% compared to last year due primarily to a decrease of $26.1 million or 22.9% in bodily injury claims incurred and a decrease of $4.3 million or 3.1% in physical damage claims incurred. The $26.1 million increase in bodily injury claims was impacted by a decrease of $51.3 million due to the interest rate adjustment on unpaid claims. Claims expense increased by $0.2 million or 0.5% from the previous year, offset by a decrease in road safety and loss prevention expenses of $0.4 million or $15.5%.

Total expenses increased by $3.7 million compared to last year due primarily to an increase of $1.2 million or 5.8% in commission expenses, an increase of $700 thousand or 7.4% in premium taxes and an increase of $1.8 million or 5.6% in operating expenses.

Retained Earnings

Net income of $33.7 million for the first three months ending May 31, 2018 increased retained earnings from $352.6 million to $386.3 million (May 31, 2017 – $300.4 million). Retained earnings are comprised of $185.9 million for Basic insurance (May 31, 2017 - $114.7 million) and $200.4 million for non-Basic lines (May 31, 2017 - $185.7 million).

Total Equity

Total equity of $442.0 million (May 31, 2017 – $379.5 million) are comprised of $386.3 million retained earnings and $55.7 million accumulated other comprehensive income (May 31, 2017 - $79.1 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 first quarter, Basic insurance reported total equity of $234.0 million (May 31, 2017 – $183.4 million). Extension's current capital target level for total equity is $64.0 million based on the Corporation's most recent Dynamic Capital Adequacy Test (DCAT) analysis. At the end of the first quarter, Extension insurance reported total equity of $116.9 million (May 31, 2017 - $111.3 million). Special Risk Extension's current capital target level for total equity is $65.0 million based on the Corporation's most recent DCAT analysis. At the end of the first quarter, Special Risk Extension insurance reported total equity of $91.7 million (May 31, 2017 - $84.9 million).

Outlook

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

As approved by the Public Utilities Board (PUB), effective March 1, 2018, there was a 2.6 per cent overall rate increase to average Basic insurance rates for the 2018/19 insurance year and the equivalent of a 1.8 per cent increase for demerit drivers.

For the 2019/20 insurance year, Manitoba Public Insurance is requesting a 2.2 per cent overall rate increase in its general rate application. All insurance companies hold funds to pay claims, as well as to maintain a buffer of capital to endure unexpected adverse circumstances. Manitoba Public Insurance's 'buffer' is known as the Rate Stabilization Reserve and to remain effective it must grow with the business. For the 2019/20 insurance year, the Corporation is proposing a Capital Maintenance Provision which accounts for 2.1 per cent of the overall 2.2 per cent increase.

Overall:

- 547,166 vehicles (excluding trailers and off-road vehicles) will receive increases in their Basic premium next year, with 39.5 per cent of these vehicles increasing by less than $50 per year.
- Approximately 37.7 per cent of all vehicle owners (excluding trailers and off-road vehicles) will see no change or a decrease in premium over 2018/19 rates.
- The average vehicle premium for Private Passenger Vehicle Class will be $1,138 if the 2019 rate application is approved
- Motorcycle rates (including moped and motor scooters) will increase 3.1 per cent
- If approved, rate changes will take effect March 1, 2019

Manitoba Public Insurance is committed to keeping rates stable over the long term. Manitoba Public Insurance continues to have one of the lowest rates of year-over-year premium increases of all Canadian provinces.

Condensed Interim Financial Statements

Condensed Interim Statement of Financial Position

(Unaudited - in thousands of Canadian dollars)	*Notes*	May 31, 2018	February 28, 2018
Assets			
Cash and cash equivalents	*5*	**131,072**	89,006
Investments	*5*	**2,673,308**	2,660,850
Investment property	*5*	**40,317**	40,646
Due from other insurance companies		**4**	3
Accounts receivable		**490,082**	477,908
Prepaid expenses		**5,444**	1,227
Deferred policy acquisition costs		**25,942**	24,727
Reinsurers' share of unearned premiums		**11,408**	133
Reinsurers' share of unpaid claims		**2,555**	2,452
Property and equipment		**114,825**	116,754
Deferred development costs		**67,752**	69,191
		3,562,709	3,482,897
Liabilities			
Due to other insurance companies		**7,706**	171
Accounts payable and accrued liabilities		**75,443**	69,217
Financing lease obligation		**4,067**	4,092
Unearned premiums		**640,655**	628,837
Provision for employee current benefits		**23,232**	22,373
Provision for employee future benefits		**449,392**	446,458
Provision for unpaid claims	*4*	**1,920,185**	1,912,734
		3,120,680	3,083,882
Equity			
Retained Earnings		**386,335**	352,608
Accumulated Other Comprehensive Income		**55,694**	46,407
Total Equity		**442,029**	399,015
		3,562,709	3,482,897

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

Condensed Interim Statement of Operations

(Unaudited - in thousands of Canadian dollars)	*Notes*	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017
Earned Revenues			
Gross premiums written		**357,209**	332,517
Premiums ceded to reinsurers		**(15,107)**	(15,179)
Net premiums written		**342,102**	317,338
(Increase) decrease in gross unearned premiums		**(39,788)**	(38,428)
Increase (decrease) in reinsurers' share of unearned premiums		**11,274**	11,340
Net premiums earned		**313,588**	290,250
Service fees & other revenue		**8,817**	9,061
The Drivers and Vehicles Act operations recovery		**7,563**	7,491
Total Earned Revenues		**329,968**	306,802
Claims Costs			
Direct claims incurred – gross		**223,963**	254,312
Claims (recovered) incurred ceded to reinsurers		**(106)**	(173)
Net claims incurred		**223,857**	254,139
Claims Expense		**37,364**	37,246
Loss prevention/Road safety		**2,172**	2,582
Total Claims Costs		**263,393**	293,967
Expenses			
Operating		**32,151**	30,392
Commissions		**20,790**	19,608
Premium taxes		**9,523**	8,823
Regulatory/Appeal		**905**	931
Total Expenses		**63,369**	59,754
Underwriting income (loss)		**3,206**	(46,919)
Investment income (loss)	*6*	**28,761**	85,785
Gain on disposal of property		**1,760**	-
Net income from operations		**33,727**	38,866

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017
Net income from operations	**33,727**	38,866
Other Comprehensive Income (Loss)		
Items that will be reclassified to income		
Unrealized gains (losses) on Available for Sale assets	**9,884**	(2,985)
Reclassification of net realized (gains) losses related to Available for Sale assets	**(596)**	(13,526)
Total Available for Sale assets	**9,288**	(16,511)
Other Comprehensive Income (Loss) for the period	**9,288**	(16,511)
Total Comprehensive Income (Loss)	**43,015**	22,355

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, 2017	261,532	95,637	357,169
Net income from operations for the period (restated)	38,866	-	38,866
Other comprehensive income for the period	-	(16,511)	(16,511)
Balance as at May 31, 2017	300,398	79,126	379,524
Balance as at March 1, 2018	352,608	46,507	399,015
Net income from operations for the period	33,727	-	33,727
Other comprehensive income for the period	-	9,287	9,287
Balance as at May 31, 2018	**386,335**	**55,694**	**442,029**

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

Condensed Interim Statement of Cash Flows

(Unaudited - in thousands of Canadian dollars)	*Notes*	Three months ended May 31, 2018	Three months ended May 31, 2017
Cash Flows from (to) Operating Activities:			
Net income (loss) from operations		**33,727**	38,866
Non-cash items:			
Depreciation of property and equipment		**1,168**	1,307
Amortization of deferred development costs		**5,811**	4,947
Amortization of bond discount and premium		**877**	865
(Gain) loss on sale of investments		**(8,934)**	(4,675)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**2,822**	(12,835)
Unrealized (gain) loss on investment in real estate		**(6,391)**	(3,779)
Unrealized (gain) loss on investment in infrastructure		**1,113**	520
Impairment of deferred development costs		**858**	-
		31,051	(6,160)
Net change in non-cash balances:			
Due from other insurance companies		**(1)**	21
Accounts receivable and prepaid expenses		**(16,391)**	(2,974)
Deferred policy acquisition costs		**(1,215)**	(1,266)
Reinsurers' share of unearned premiums and unpaid claims		**(11,378)**	(11,504)
Due to other insurance companies		**7,535**	7,579
Accounts payable and accrued liabilities		**6,226**	(7,838)
Unearned premiums		**11,818**	10,072
Provision for employee current benefits		**859**	538
Provision for employee future benefits		**2,934**	3,060
Provision for unpaid claims		**7,451**	26,749
		7,838	24,437
		38,889	1,749
Cash Flows from (to) Investing Activities:			
Purchase of investments		**(326,952)**	(170,243)
Proceeds from sale of investments		**334,623**	170,732
Acquisition of property and equipment net of proceeds from disposals		**761**	(1,365)
Financing lease obligation		**(25)**	(23)
Deferred development costs incurred		**(5,230)**	(4,749)
		3,177	(5,648)
Increase (decrease) in Cash and Cash Equivalents		**42,066**	(3,899)
Cash and short-term investments beginning of period		**89,006**	73,434
Cash and Cash Equivalents end of period	*5*	**131,072**	69,535

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 2017 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 2017/18 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 $133.4 million (2017 – $74.1 million) comprised of provincial short-term deposits with effective interest rates of 1.10% (2017 – 0.55%), 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 (2017 - $5.0 million). The unsecured operating line of credit remained unutilized at May 31, 2018 (2017 – nil).

Cash and Investments

As at May 31, 2018 (in thousands of Canadian dollars)	Financial Instruments Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carry Value
Cash and cash equivalents	131,072	-	-	-	131,072
Bonds					
Federal	-	-	28,389	-	28,389
Manitoba:					
Provincial	-	-	127,521	-	127,521
Municipal	-	27,375	32,758	-	60,133
Schools	-	578,293	-	-	578,293
Other provinces:					
Provincial	-	-	900,146	-	900,146
Municipal	-	-	70,007	-	70,007
Corporations	-	-	115,295	-	115,295
	-	605,668	1,274,116	-	1,879,784
Other investments	1,308	-	-	-	1,308
Infrastructure	-	-	100,743	-	100,743
Equity investments	422,060	-	-	-	422,060
Pooled Real Estate Fund	-	-	269,413	-	269,413
Investments	423,368	605,668	1,644,272	-	2,673,308
Investment property	-	-	-	40,317	40,317
	554,440	605,668	1,644,272	40,317	2,844,697

As at May 31, 2017 (in thousands of Canadian dollars)	Financial Instruments Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carry Value
Cash and cash equivalents	69,535	-	-	-	69,535
Bonds					
Federal	-	-	92,853	-	92,853
Manitoba:					
Provincial	-	-	142,761	-	142,761
Municipal	-	16,684	33,729	-	50,413
Schools	-	620,580	-	-	620,580
Other provinces:					
Provincial	-	-	776,881	-	776,881
Municipal	-	-	67,373	-	67,373
Corporations	-	-	67,968	-	67,968
	-	637,264	1,181,565	-	1,818,829
Other investments	1,493	-	-	-	1,493
Infrastructure	-	-	96,011	-	96,011
Equity investments	440,046	-	-	-	440,046
Pooled Real Estate Fund	-	-	240,046	-	240,046
Investments	441,539	637,264	1,517,622	-	2,596,425
Investment property	-	-	-	41,398	41,398
	511,074	637,264	1,517,622	41,398	2,707,358

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

As at May 31, 2018 (in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/(Losses)**	**Fair Value**
Equity Investments			
With unrealized gains	**263,850**	**129,536**	**393,386**
With unrealized (losses)	**33,049**	**(4,375)**	**28,674**
Subtotal – Equity Investments	**296,899**	**125,161**	**422,060**
Other Investments			
With unrealized gains	**341**	**967**	**1,308**
With unrealized (losses)	**-**	**-**	**-**
Subtotal – Other Investments	**341**	**967**	**1,308**
Total AFS Equity and Other Investments	**297,240**	**126,128**	**423,368**

As at May 31, 2017 (in thousands of Canadian dollars)	Book Value	Unrealized Gains/(Losses)	Fair Value
Equity Investments			
With unrealized gains	294,357	122,426	416,783
With unrealized (losses)	25,783	(2,520)	23,263
Subtotal – Equity Investments	320,140	119,906	440,046
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	320,539	121,000	441,539

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

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

Fair Value Measurement

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

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

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

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

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

As at May 31, 2018 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**-**	**1,259,754**	**14,362**
Infrastructure	**-**	**-**	**100,743**
Pooled real estate	**-**	**269,413**	**-**
Total FVTPL financial assets	**-**	**1,529,167**	**115,105**
AFS financial assets			
Cash and cash equivalents	**131,072**	**-**	**-**
Other investments	**-**	**-**	**1,308**
Equity investments	**422,060**	**-**	**-**
Total AFS financial assets	**553,132**	**-**	**1,308**
Total assets measured at fair value	**553,132**	**1,529,167**	**116,413**

As at May 31, 2017 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	61,500	1,104,954	15,111
Infrastructure	-	-	96,011
Pooled real estate	-	240,046	-
Total FVTPL financial assets	61,500	1,345,000	111,122
AFS financial assets			
Cash and short term investments	69,535	-	-
Other investments	-	-	1,493
Equity investments	440,046	-	-
Total AFS financial assets	509,581	-	1,493
Total assets measured at fair value	571,081	1,345,000	112,615

Fair value measurement of instruments included in Level 3	FVTPL		AFS	
(in thousands of Canadian dollars)	**2018**	2017	**2018**	2017
Balance at March 1	**114,447**	110,121	**1,351**	1,493
Total gains/(losses)				
Included in net income	**(1,114)**	1,001	**-**	-
Included in other comprehensive income	**-**	-	**15**	-
Purchases	**30,635**	-	**-**	-
Sales	**(28,863)**	-	**(58)**	-
Balance at May 31	**115,105**	111,122	**1,308**	1,493

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

6) Investment Income

(in thousands of Canadian dollars)	**May 31, 2018**	May 31, 2017
Interest income	**14,108**	12,981
Gain (loss) on sale of FVTPL bonds	**6,566**	3,942
Unrealized gain (loss) on FVTPL bonds	**(2,822)**	44,441
Unrealized gain (loss) on pooled real estate	**6,391**	6,065
Dividends on infrastructure investments	**265**	523
Realized gain (loss) on infrastructure investments	**1,771**	-
Unrealized gain (loss) on infrastructure investments	**(1,113)**	1,001
Dividend income	**3,006**	3,446
Gain (loss) on sale of equities and other investments	**597**	13,526
Gain (loss) on foreign exchange	**(20)**	(9)
Income from investment property	**981**	774
Investment management fees	**(969)**	(905)
Total Investment income (loss)	**28,761**	85,785

7) Employee Future Benefits Expense

The total benefits costs included in expenses are as follows:

(in thousands of Canadian dollars)	**May 31, 2018**	May 31, 2017
Pension benefits	**6,989**	6,938
Other post-employment benefits	**536**	467
Total	**7,525**	7,405

8) Depreciation and Amortization

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

(in thousands of Canadian dollars)	**May 31, 2018**	May 31, 2017
Amortization – Deferred Development	**5,811**	5,195
Depreciation – Property and equipment	**1,168**	1,258
Total	**6,979**	6,453

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