Quarterly Financial Report

3rd QUARTER

Nine months ended
November 30, 2019

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, 2019 included herein and the 2018/19 annual audited financial statements and supporting notes and the Corporation's 2018 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.

Q3 | Corporate Performance Measures and Targets

Year-to-date third quarter results 2019/20

Financial Performance

Net Income

In millions

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	ANNUAL TARGET 2019/20	PAST Q3 2018/19
Net Income	$176.6	$97.1	$88.4	$87.4

Net Premiums Earned

In millions

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	ANNUAL TARGET 2019/20	PAST Q3 2018/19
Net Premiums Earned	$1,014.1	$1,011.3	$1,460.6	$964.8

Net Claims Incurred

In millions

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	ANNUAL TARGET 2019/20	PAST Q3 2018/19
Net Claims Incurred	$756.0	$707.7	$1,074.4	$699.0

Loss Ratio

(Net Claims Incurred / Net Premiums Earned)

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	ANNUAL TARGET 2019/20	PAST Q3 2018/19
Loss Ratio	74.5%	70.0%	73.6%	72.5%

Loss Ratio excluding Catastrophic Claims

	ACTUAL Q3 2019/20	PAST Q3 2018/19
Loss Ratio excluding Catastrophic Claims	74.5%	72.5%

Asset-Liability Management — Interest Rate Impact on:

In millions

	ACTUAL Q3 2019/20	PAST Q3 2018/19
Investment Income	$95.7	$(17.1)
Net Claims Incurred	$60.4	$0.1
Net Income	$35.3	$(17.2)

$0

Total Return — Investments

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	ANNUAL TARGET 2019/20	PAST Q3 2018/19
Total Return — Investments	6.28%	2.42%	3.24%	1.90%

Organizational Health

Capital Adequacy (Minimum Capital Test)

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	PAST Q3 2018/19
Basic	79%	100%	48%
Extension	281%	200%	493%
Special Risk Extension	244%	300%	374%

Operational Excellence

Combined Expense Ratio

(Claims Expenses + Operating Expenses) / Net Premiums Earned)

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	ANNUAL TARGET 2019/20	PAST Q3 2018/19
Combined Expense Ratio	20.9%	22.3%	22.6%	22.3%

Total Full-Time Equivalent (Average)

	ACTUAL Q3 2019/20	TARGET Q3 2019/20	ANNUAL TARGET 2019/20	PAST Q3 2018/19
Total Full-Time Equivalent (Average)	1,806	1,915	1,910	1,770

Results of Operations

Manitoba Public Insurance reported net income of $176.6 million for the nine months ended November 30, 2019, compared to net income of $87.4 million for the same period last year. This includes net income of $121.2 million (November 30, 2018 - $42.3 million) from the Basic insurance line of business. Corporate net income increased from the previous year by $89.2 million due to:

i) an increase in earned revenues of $52.1 million; and
ii) an increase in investment income of $96.6 million mainly due to higher unrealized gains on Fair Value Through Profit or Loss bonds of $100.3 million, higher gains on Long Term Interest on Bonds of $8.6 million and higher gains on sale of Fair Value Through Profit or Loss bonds of $12.5 million, gain on sale of U.S. equites of $6.6 million offset primarily by lower gains on sale of Canadian equities of $15.5 million and lower pooled real estate income of $9.6 million; and
iii) a decrease in total expenses of $1.6 million; offset by
iv) an increase in total claims costs of $59.4 million; and
v) a decrease in the gain on disposal of property and equipment of $1.8 million.

Current Year and Last Year

Total earned revenues for the nine months ended November 30, 2019, increased from the previous year by $52.1 million. This increase is primarily attributed to motor vehicle earned revenues which increased by $35.6 million or 4.1 per cent. 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 as well as increases associated with demerit drivers on the Driver Safety Rating scale which resulted in higher premiums and the Public Utilities Board approved 1.8 per cent overall rate increase to average Basic insurance rates.

Claims costs for the nine months ended November 30, 2019, increased by $59.4 million or 7.3 per cent compared to last year due primarily to an increase of $58.6 million in bodily injury claims incurred offset by a decrease of $1.5 million in physical damage claims incurred. The increase in bodily injury claims is primarily due to an unfavorable interest rate impact on unpaid claims of $60.4 million offset by a decrease of $10.5 million in personal injury plan costs compared to last year. The unfavorable impact on unpaid claims caused by changes in prevailing interest rates is largely offset by corresponding impacts on investment income through the Corporations asset-liability matching program. The $1.5 million decrease in physical damage claims is due to a decrease in comprehensive claims incurred offset by an increase in collision claims incurred. Excluding the impact of changing interest rates, Net claims incurred decreased year over year by $3.2 million or 0.5 per cent. Claims expenses increased by $2.4 million or 2.3 per cent from the previous year, road safety and loss prevention expenses decreased by $0.04 million or 0.4 per cent.

Total expenses decreased by $1.6 million compared to last year due primarily to decreases in operating expenses of $5.8 million offset by increases of $2.4 million or 3.8 per cent in commissions and $1.6 million or 5.3 per cent in premium taxes.

Retained Earnings

Net income of $176.6 million for the first nine months ending November 30, 2019, increased retained earnings to $688.4 million (November 30, 2018 – $440.0 million). Retained earnings are comprised of $431.0 million from Basic insurance (November 30, 2018 - $213.2 million) and $257.4 million from non-Basic lines of business (November 30, 2018 - $226.8 million).

Total Equity

Total equity of $566.9 million (November 30, 2018 – $455.4 million) are comprised of $688.4 million retained earnings and $121.5 million accumulated other comprehensive loss (November 30, 2018 - $15.4 million accumulated other comprehensive income).

Capital Management

The Corporation's Board of Directors has approved risk-based capital adequacy target levels by line of business. Targets are based upon the capital management framework of the Office of the Superintendent of Financial Institutions Canada (OSFI) and the Minimum Capital Test (MCT). The MCT is a ratio of capital available to capital required and utilizes a risk-based formula to assess the capital adequacy of an insurance company. The Corporation’s capital targets are determined based on the underlying risks and the competitive nature of each line of business.

The Corporation's Board of Directors' current capital target for Basic Insurance is 100 per cent MCT. This target was selected to appropriately reflect the lower risk level of the Basic monopoly insurance program, while also aligning with industry best practice on capital targets. On April 12, 2019, the Manitoba Public Insurance Corporation Act Reserves Regulation 76/2019 specified 100 per cent MCT as the capital requirement for Basic. In Order No. 176/19, issued December 3, 2019 the Public Utilities Board approved the Basic target capital level of 100 per cent MCT.

The Corporation ended the quarter with Basic MCT of 79 per cent which is below the Reserves Regulation target of 100 per cent. As it is expected to continually move towards 100 per cent, the Corporation is considered to be in compliance with the Regulation if it is forecasted to return to 100 per cent within a five year period as outlined in its Capital Management Plan contained in the 2020/21 general rate application to the Public Utilities Board.

The Corporation's Board of Directors' current target for Extension is 200 per cent MCT. This target was selected to reflect the higher relative risk level of operating in a competitive environment, while also aligning with private sector industry average MCT ratios. The Corporation ended the quarter with Extension MCT at 281 per cent.

The Corporation's Board of Directors' current target for Special Risk Extension is 300 per cent MCT. This target was selected to reflect the higher risk exposure of commercial trucking fleets operating out-of-province. The Corporation ended the quarter with Extension MCT at 244 per cent.

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, effective March 1, 2020, there will be a 0.6 per cent overall rate decrease to average Basic insurance rates for the 2020/21 insurance year. On June 20, 2019, Manitoba Public Insurance filed its general rate application for the 2020/21 fiscal year with the Public Utilities Board requesting a 0.1 per cent overall rate increase. On October 4, 2019, Manitoba Public Insurance filed an amended general rate application for the 2020/21 fiscal year with the Public Utilities Board requesting a 0.6 per cent overall rate decrease.

The requested 0.6 per cent overall general rate decrease does not mean that rates for all vehicles within each major class will decrease by this amount. Based on MPI's rate design, major vehicle classes will be impacted as follows:

- Private passenger (-0.9 per cent change)
- Commercial (+0.7 per cent change)
- Public (+10.4 per cent change)
- Motorcycle (+5.1 per cent change)
- Trailers (-5.2 per cent change)
- Off-road vehicles (-12.5 per cent change)
- Total overall (-0.6 per cent change)

Over 727,043 vehicles (62.6 per cent) 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:

- 610,430 (52.6 per cent) of vehicles receiving a decrease in rate
- 116,613 (10.0 per cent) of vehicles receiving no change in rate
- 434,116 (37.4 per cent) of vehicles receiving an increase in rate

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	November 30, 2019	February 28, 2019 (Restated)
Assets			
Cash and cash equivalents	5	**176,753**	193,108
Investments	5	**3,156,361**	2,839,530
Investment property	5	**48,098**	49,027
Due from other insurance companies		**481**	1,603
Accounts receivable		**516,328**	496,108
Prepaid expenses		**4,370**	1,603
Deferred policy acquisition costs		**32,577**	32,510
Reinsurers' share of unearned premiums		**4,619**	142
Reinsurers' share of unpaid claims		**6,820**	9,814
Property and equipment		**114,714**	114,936
Deferred development costs		**48,477**	57,562
		4,109,598	3,795,943
Liabilities			
Due to other insurance companies		**1,280**	2,369
Accounts payable and accrued liabilities		**95,019**	109,676
Lease obligation		**7,077**	3,918
Unearned premiums and fees		**663,900**	673,414
Provision for employee current benefits		**23,593**	22,840
Provision for employee future benefits		**544,039**	456,926
Provision for unpaid claims	4	**2,207,754**	2,084,632
		3,542,662	3,353,775
Equity			
Retained Earnings		**688,404**	511,823
Accumulated Other Comprehensive Income (Loss)		**(121,468)**	(69,655)
		566,936	442,168
		4,109,598	3,795,943

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 November 30, 2019	Three Months Ended November 30, 2018	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
Earned Revenues					
Gross premiums written		**336,256**	326,022	**1,044,239**	1,005,514
Premiums ceded to reinsurers		**(256)**	(377)	**(19,003)**	(15,521)
Net premiums written		**336,000**	325,645	**1,025,236**	989,993
(Increase) decrease in gross unearned premiums		**5,757**	(84)	**(15,645)**	(28,932)
Increase (decrease) in reinsurers' share of unearned premiums		**(4,404)**	(3,754)	**4,476**	3,724
Net premiums earned		**337,353**	321,807	**1,014,067**	964,785
Service fees and other revenue		**10,755**	9,873	**30,637**	27,761
The Drivers and Vehicles Act operations recovery		**7,562**	7,561	**22,687**	22,689
Total Earned Revenues		**355,670**	339,241	**1,067,391**	1,015,235
Claims Costs					
Direct claims incurred - gross		**245,726**	227,557	**757,338**	713,805
Claims recovered ceded to reinsurers		**(266)**	22	**(1,343)**	(14,840)
Net claims incurred		**245,460**	227,579	**755,995**	698,965
Claims expense		**37,135**	36,136	**110,351**	107,918
Loss prevention/Road safety		**3,389**	3,840	**9,171**	9,209
Total Claims Costs		**285,984**	267,555	**875,517**	816,092
Expenses					
Operating		**28,942**	32,340	**89,293**	95,083
Commissions		**21,805**	21,222	**65,846**	63,417
Premiums taxes		**10,260**	9,777	**30,858**	29,298
Regulatory/Appeal		**1,232**	1,072	**3,251**	3,022
Total Expenses		**62,239**	64,411	**189,248**	190,820
Underwriting income (loss)		**7,447**	7,275	**2,626**	8,323
Investment income	*6*	**4,924**	7,280	**173,955**	77,333
Gain on disposal of property and equipment		**-**	(18)	**-**	1,737
Net income from operations		**12,371**	14,537	**176,581**	87,393

Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian	Three Months Ended November 30, 2019	Three Months Ended November 30, 2018	Nine Months Ended November 30, 2019	Nine Months Ended November 30, 2018
Net income from operations	**12,371**	14,537	**176,581**	87,393
Other Comprehensive Income (Loss)				
Items that will not be reclassified to income				
Remeasurement of Employee Future Benefits	**(77,247)**	-	**(77,247)**	-
Items that will be reclassified to income				
Unrealized gains on Available for Sales assets	**17,998**	(29,528)	**42,540**	(6,498)
Reclassification of net realized gains related to Available for Sale assets	**(898)**	(5,178)	**(17,106)**	(24,512)
Net unrealized gains (losses) on Available for Sale assets	**17,100**	(34,706)	**25,434**	(31,010)
Other Comprehensive Income (Loss) for the period	**(60,147)**	(34,706)	**(51,813)**	(31,010)
Total Comprehensive Income	**(47,776)**	(20,169)	**124,768**	56,383

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, 2018	352,608	46,407	399,015
Net income from operations for the period	87,393	-	87,393
Other comprehensive income for the period	-	(31,010)	(31,010)
Balance as at November 30, 2018	440,001	15,397	455,398
Balance as at March 1, 2019 - restated	**511,823**	**(69,655)**	**442,168**
Net income from operations for the period	**176,581**	**-**	**176,581**
Other comprehensive loss for the period	**-**	**(51,813)**	**(51,813)**
Balance as at November 30, 2019	**688,404**	**(121,468)**	**566,936**

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

Condensed Interim Statement of Cash Flows

(Unaudited - in thousands of Canadian dollars)	*Notes*	**Nine Months Ended November 30, 2019**	November 30, 2018
Cash Flows from (to) Operating Activities:			
Net income from operations		**176,581**	87,393
Non-cash items:			
Depreciation of property and equipment		**4,050**	3,587
Amortization of deferred development costs		**12,892**	18,082
Amortization of bond discount and premium		**4,559**	3,013
Gain on sale of investments		**(126,595)**	(32,633)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		**(76,851)**	23,459
Unrealized (gain) loss on pooled real estate fund		**85,153**	(16,570)
Unrealized (gain) loss on infrastructure investments		**358**	468
Gain on disposal of property and equipment		**-**	
Impairment of Available for Sale investments		**-**	-
Impairment of deferred development costs		**1,804**	2,917
		81,951	89,716
Net change in non-cash balances:			
Due from other insurance companies		**1,122**	(3,071)
Accounts receivable and prepaid expenses		**(22,987)**	(20,964)
Deferred policy acquisition costs		**(67)**	(1,962)
Reinsurers' share of unearned premiums and unpaid claims		**(1,483)**	(12,927)
Due to other insurance companies		**(1,089)**	3,617
Accounts payable and accrued liabilities		**(14,657)**	23,539
Unearned premiums and fees		**(9,514)**	6,629
Provision for employee current benefits		**753**	128
Provision for employee future benefits		**87,113**	11,297
Provision for unpaid claims		**123,122**	66,442
		162,313	72,728
		244,264	162,444
Cash Flows from (to) Investment Activities:			
Purchase of investments		**(1,360,333)**	(639,116)
Proceeds from sale of investments		**1,106,388**	504,162
Acquisition of property and equipment net of proceeds from disposals		**(3,829)**	(596)
Lease obligations		**3,159**	(77)
Deferred development costs incurred		**(6,004)**	(13,082)
		(260,619)	(148,709)
Increase in Cash and Cash Equivalents		**(16,355)**	13,735
Cash and cash equivalents beginning of period		**193,108**	89,006
Cash and Cash Equivalents end of period	*4*	**176,753**	102,741

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

Notes to Financial Statements

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 Extension 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 2018/19 Annual Audited Financial Statements and the 2018 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 2018/19 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 pro vision 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-term 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 effect of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claims 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 $176.8 million (November 30, 2018 – $102.7 million) comprised of provincial short-term deposits with effective interest rates of 1.67 to 1.75 per cent (November 30, 2018 – 1.80 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 (November 30, 2019 - $5.0 million). The unsecured operating line of credit remained unutilized at November 30, 2019 (November 30, 2019 – nil).

Cash and Investments

As at November 30, 2019 (in thousands of Canadian dollars)	Financial Instruments: Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carrying Value
Cash and cash equivalents	**176,753**	**-**	**-**	**-**	**176,753**
Bonds					
Federal			**35,276**	**-**	**35,276**
Manitoba:				**-**	**-**
Provincial	**5,770**		**127,338**	**-**	**133,108**
Municipal		**23,943**	**37,156**	**-**	**61,099**
Schools		**510,087**		**-**	**510,087**
Other provinces:				**-**	**-**
Provincial	**124,610**		**921,077**	**-**	**1,045,687**
Municipal			**77,182**	**-**	**77,182**
Corporations	**151,356**		**421,104**	**-**	**572,460**
	281,736	**534,030**	**1,619,133**	**-**	**2,434,899**
Private debt	**69,298**		**3,742**	**-**	**73,040**
Other investments	**378**			**-**	**378**
Infrastructure			**111,333**	**-**	**111,333**
Equity investments	**421,436**			**-**	**421,436**
Pooled real estate fund			**115,275**	**-**	**115,275**
Investments	**772,848**	**534,030**	**1,849,483**	**-**	**3,156,361**
Investment property	**-**	**-**	**-**	**48,098**	**48,098**
Total	**949,601**	**534,030**	**1,849,483**	**48,098**	**3,381,212**

As at November 30, 2018 (in thousands of Canadian dollars)	Financial Instruments: Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carrying Value
Cash and cash equivalents	102,741	-	-	-	102,741
Bonds					
Federal	-	-	27,716	-	27,716
Manitoba:					
Provincial	-	-	124,267	-	124,267
Municipal	-	26,344	31,346	-	57,690
Schools	-	554,234	-	-	554,234
Other provinces:					
Provincial	-	-	1,000,473	-	1,000,473
Municipal	-	-	68,698	-	68,698
Corporations	-	-	112,302	-	112,302
	-	580,578	1,364,802	-	1,945,380
Other investments	520	-		-	520
Infrastructure	-	-	101,388	-	101,388
Equity investments	451,590	-	-	-	451,590
Pooled real estate fund		-	279,591	-	279,591
Investments	452,110	580,578	1,745,781	-	2,778,469
Investment property	-	-	-	49,233	49,233
Total	554,851	580,578	1,745,781	49,233	2,930,443

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

As at November 30, 2019 (in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/Losses**	**Fair Value**
Equity Investments			
With unrealized gains	**295,037**	**18,299**	**313,336**
With unrealized losses	**109,742**	**(1,642)**	**108,100**
Subtotal - Equity Investments	**404,779**	**16,657**	**421,436**
Bonds			
With unrealized gains	**275,621**	**6,115**	**281,736**
With unrealized losses	**-**	**-**	**-**
Subtotal - Bonds	**275,621**	**6,115**	**281,736**
Private Debt			
With unrealized gains	**10,267**	**21**	**10,288**
With unrealized losses	**59,270**	**(260)**	**59,010**
Subtotal - Private Debt	**69,537**	**(239)**	**69,298**
Other Investments			
With unrealized gains	**314**	**64**	**378**
Subtotal - Other Investments	**314**	**64**	**378**
Total AFS Equity, Bonds, Private Debt and Other Investments	**750,251**	**22,597**	**772,848**

As at November 30, 2018 (in thousands of Canadian dollars)	Book Value	Unrealized Gains/Losses	Fair Value
Equity Investments			
With unrealized gains	176,971	98,200	275,171
With unrealized losses	188,993	(12,574)	176,419
Subtotal - Equity Investments	365,964	85,626	451,590
Other Investments			
With unrealized gains	314	205	520
With unrealized losses	-	-	-
Subtotal - Other Investments	314	205	520
Total AFS Equity and Other Investments	366,278	85,831	452,110

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, 2019 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**11,639**	**1,593,177**	**14,317**
Private Debt	**-**	**3,742**	**-**
Infrastructure	**-**	**-**	**111,333**
Pooled real estate fund	**-**	**115,275**	**-**
Total FVTPL financial assets	**11,639**	**1,712,194**	**125,650**
AFS financial assets			
Cash and cash equivalents	**176,753**	**-**	**-**
Bonds	**-**	**281,736**	**-**
Private Debt	**-**	**69,298**	**-**
Other investments	**-**	**-**	**378**
Equity investments	**-**	**421,436**	**-**
Total AFS financial assets	**176,753**	**772,470**	**378**
Total assets measured at fair value	**188,392**	**2,484,664**	**126,028**

As at November 30, 2018 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	32,029	1,318,411	14,362
Infrastructure	-	-	101,388
Pooled real estate fund	-	279,591	-
Total FVTPL financial assets	32,029	1,598,002	115,750
AFS financial assets			
Cash and cash equivalents	102,741	-	-
Other investments	-	-	520
Equity investments	451,590	-	-
Total AFS financial assets	554,331	-	520
Total assets measured at fair value	586,360	1,598,002	116,270

Fair value measurement of instruments included in Level 3

	FVTPL		**AFS**	
(in thousands of Canadian dollars)	**2019**	2018	**2019**	2018
Balance at March 1	**126,313**	114,447	**378**	1,351
Total gains/(losses)				
Included in net income	**(358)**	(469)	**-**	-
Included in OCI	**-**	-	**-**	(746)
Purchases	**-**	30,635	**-**	-
Sales	**-**	(28,863)	**-**	(85)
Return of capital	**(305)**	-	**-**	-
Balance at November 30	**125,650**	115,750	**378**	520

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

For the nine months ended November 30 (in thousands of Canadian dollars)	**2019**	2018
Interest income	**50,509**	42,118
Gain on sale of FVTPL bonds	**18,826**	6,349
Unrealized gain (loss) on FVTPL bonds	**76,851**	(23,459)
Unrealized gain (loss) on pooled real estate fund	**(85,153)**	16,570
Unrealized gain (loss) on private debt	**10**	-
Dividends on infrastructure investments	**2,910**	1,416
Realized gain on instrastructure investments	**-**	1,771
Unrealized gain (loss) on infrastructure investments	**(348)**	(468)
Foreign exchange gain (loss) on infrastructure investments	**(9)**	-
Dividend income	**4,431**	8,982
Gain on sale of equities and other investments	**15,686**	24,513
Gain/(loss) on foreign exchange	**-**	(20)
Income from investment property	**1,637**	2,640
Realized gain on pooled real estate fund	**92,080**	-
Investment management fees	**(3,475)**	(3,079)
Total	**173,955**	77,333

7. Employee Future Benefits Expense

The total benefit costs included in expenses are as follows:

For the nine months ended November 30 (in thousands of Canadian dollars)	**2019**	2018
Pension benefits	**21,076**	21,203
Other post-retirement benefits	**1,619**	1,597
Total	**22,695**	22,800

8. Depreciation and Amortization

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

For the nine months ended November 30 (in thousands of Canadian dollars)	**2019**	2018
Amortization - Deferred Development	**13,286**	18,082
Depreciation - Property and Equipment	**4,036**	3,587
Total	**17,322**	21,669

For more information contact:

Manitoba Public Insurance
Communications & Customer Experience
Room 820, 234 Donald Street
P.O. Box 6300
Winnipeg, MB R3C 4A4

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