

# Quarterly Financial Report

2nd QUARTER

Six months ended  
**August 31, 2013**



**Manitoba  
Public Insurance**

## Management Discussion and Analysis

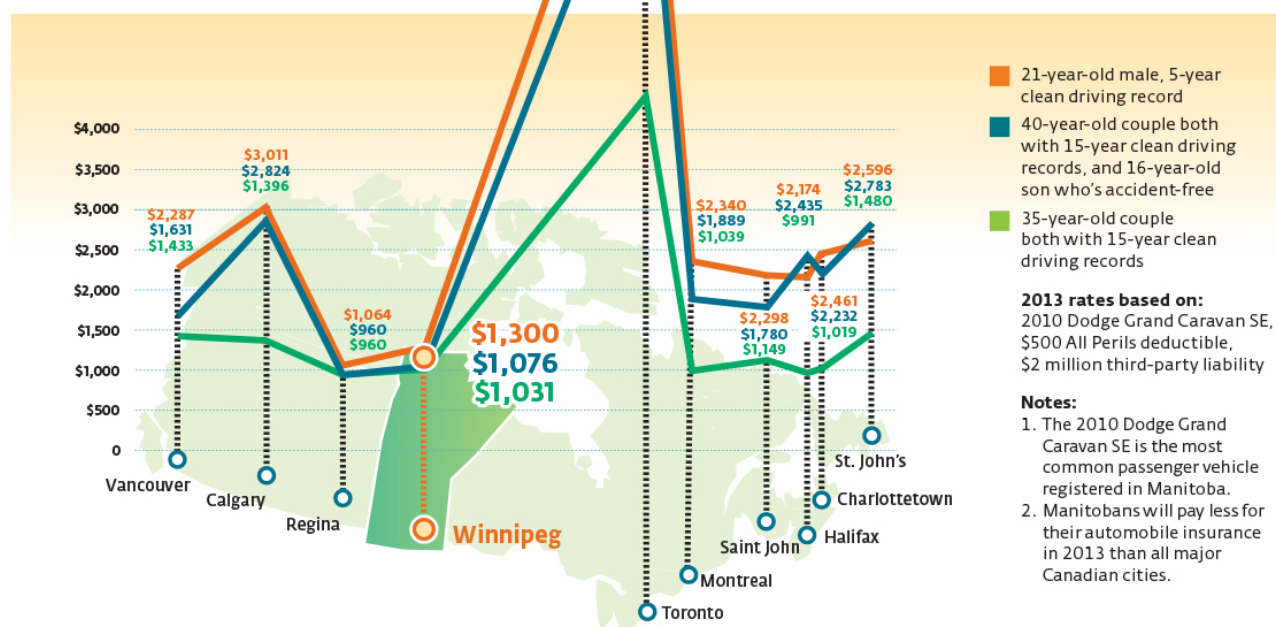
Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited condensed interim financial statements and supporting notes for the second quarter ended August 31, 2013 included herein, the 2012 annual audited financial statements and supporting notes found at [www.mpi.mb.ca](http://www.mpi.mb.ca) and the Corporation's 2012 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

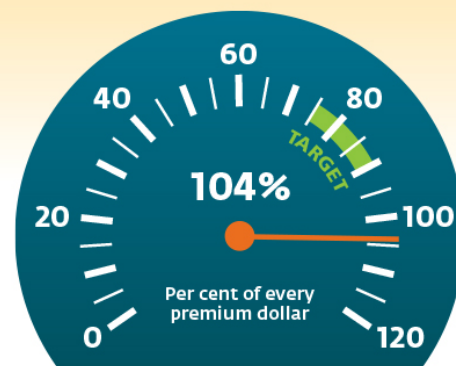


## Goal 2

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 for the 12 months ending

125%	98%	100%	96%	95%	104%	111%	104%
Q3 · 11/12	Q4 · 11/12	Q1 · 12/13	Q2 · 12/13	Q3 · 12/13	Q4 · 12/13	Q1 · 13/14	Q2 · 13/14

## 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

3.7	3.6	3.6	3.6	3.7	3.6	3.6	3.5
Q3 · 11/12	Q4 · 11/12	Q1 · 12/13	Q2 · 12/13	Q3 · 12/13	Q4 · 12/13	Q1 · 13/14	Q2 · 13/14

**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.

**Overall, How Often We Meet/Exceed Standards**

**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.

**Past Results (in per cent)**

97%	96%	97%	97%	97%	95%	95%	95%
Q3 - 11/12	Q4 - 11/12	Q1 - 12/13	Q2 - 12/13	Q3 - 12/13	Q4 - 12/13	Q1 - 13/14	Q2 - 13/14

**Customer satisfaction in major operational areas****Physical Damage Claims****Past Results (in per cent)**

88%	87%	90%	89%
Q3 - 11/12	Q4 - 11/12	Q1 - 12/13	Q2 - 12/13
89%	90%	84%	86%
Q3 - 12/13	Q4 - 12/13	Q1 - 13/14	Q2 - 13/14

**Bodily Injury Claims****Past Results (in per cent)**

81%	83%
Q3 - 11/12	Q1 - 12/13
79%	81%
Q3 - 12/13	Q1 - 13/14

**Driver and Vehicle Licensing****Past Results (in per cent)**

91%	93%	93%	94%
Q3 - 11/12	Q4 - 11/12	Q1 - 12/13	Q2 - 12/13
93%	93%	94%	92%
Q3 - 12/13	Q4 - 12/13	Q1 - 13/14	Q2 - 13/14

**Insurance Operations Policyholder Transactions****Past Results (in per cent)**

90%	91%	90%	93%
Q3 - 11/12	Q4 - 11/12	Q1 - 12/13	Q2 - 12/13
93%	92%	93%	90%
Q3 - 12/13	Q4 - 12/13	Q1 - 13/14	Q2 - 13/14

**Goal 5**

Retained earnings and Rate Stabilization Reserve will be maintained within established target levels.

**Basic Rate Stabilization Reserve**

**Why?** Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the RSR within its target range helps us control rates when claim costs rise substantially. Manitobans deserve stable, affordable premiums over the long term.

**Past Results**

155.7M Q3 · 11/12	155.7M Q4 · 11/12	155.7M Q1 · 12/13	155.7M Q2 · 12/13	155.7M Q3 · 12/13	141.5M Q4 · 12/13	100.3M Q1 · 13/14	163.3M Q2 · 13/14
----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

**Extension Retained Earnings****Past Results**

82.4M Q3 · 11/12	93.3M Q4 · 11/12	104.3M Q1 · 12/13	110.4M Q2 · 12/13	53.6M Q3 · 11/12	45.8M Q4 · 11/12	50.3M Q1 · 12/13	52.6M Q2 · 12/13
115.0M Q3 · 12/13	122.3M Q4 · 12/13	131.6M Q1 · 13/14	141.8M Q2 · 13/14	51.7M Q3 · 12/13	55.0M Q4 · 12/13	54.3M Q1 · 13/14	58.3M Q2 · 13/14

**SRE Retained Earnings****Past Results**

### Goal 6

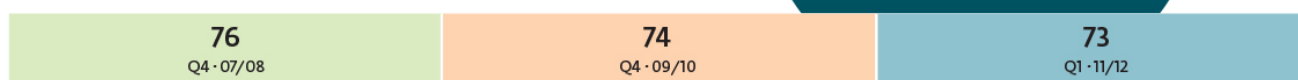
Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

**Why?** We value our employees.

#### Level of Employee Satisfaction



#### 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.

#### Public Support for Road Safety



#### Past Results (in per cent)



## Results of Operations

Manitoba Public Insurance reported net income of \$41.9 million for the six months ended August 31, 2013 compared to net income of \$21.2 million for the same period last year. This includes net income of \$21.8 million (2012 – net income of \$2.8 million) from the Basic insurance line of business. Net income increased from the previous year by \$20.7 million due to:

- i) a \$20.5 million rise in investment income primarily attributed to gain on sale of equities, offset by the decline in realized and unrealized bonds; and
- ii) a \$0.2 million rise in underwriting due to a decrease in total expenses by \$1.3 million, offset by an increase in claims costs of \$0.3 million and a decrease in earned revenues of \$0.8 million.

At the end of the fiscal year 2012, the Manitoba Public Insurance changed its cost allocation basis from premiums written to claims incurred effective March 1, 2012. The results for prior quarters in these interim financial statements have been restated to reflect this change.

### *Current Year and Last Year*

Total earned revenues for the six months decreased from the previous year by \$0.8 million. This decrease is primarily attributed to motor vehicle earned revenues which decreased by \$7.0 million or 1.5% as a result of the 8% premium rate reduction of 2012/13. Part of the premiums earned in the current year is generated from the previous policy year. This decrease is offset by an increase in driver's premiums earned of \$3.6 million or 26.0% and an increase in special risk extension earned revenues of \$2.3 million or 8.8%.

Claims incurred for the six months ended August 31, 2013 decreased by \$4.5 million compared to last year due primarily to a decrease of \$11.2 million or 8.5% in bodily injury claims incurred, offset by an increase of \$6.7 million or 2.9% in physical damage claims incurred.

Total corporate expenses increased by \$3.5 million compared to last year due primarily to higher costs in data processing expenses, printing and stationery expenses and community and corporate relations expenses, offset by lower costs in safety programs and furniture and equipment expenses.

### *Retained Earnings*

Retained earnings of \$367.4 million (2012 - \$394.7 million) are comprised of \$163.3 million for Basic insurance (2012 - \$216.5 million) and \$204.1 million for non-Basic lines (2012 - \$178.2 million). Basic insurance retained earnings are comprised of the Rate Stabilization Reserve of \$163.3 million. The non-Basic lines retained earnings are allocated to retained earnings \$200.3 million and the Extension Development Fund (EDF) \$3.8 million.

From its inception in 2007 to current, \$91.7 million has been appropriated from Extension retained earnings (\$33.3 million) and Special Risk Extension (\$58.4 million) to fund the EDF projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing. Activity for the six months ended August 31, 2013 has reduced the EDF by \$2.9 million to \$3.8 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.

In June 2013 the Corporation applied to the Public Utilities Board (PUB) for a 1.8% increase in overall vehicle rates for the 2014/15 insurance year with no change to driver license premiums or vehicle discounts. This increase is required due to higher physical damage claims and lower investment income.

If the application is approved, a total of 707,090 vehicles owners will receive a premium increase. Of the vehicles that will receive premium increases, most will be less than \$50. A total of 342,319 vehicle owners will receive a premium decrease or stay the same in 2014. The average passenger vehicle premium will be \$898. Overall:

- 67 per cent of premiums will increase (707,090 vehicles). 603,377 vehicles will increase by \$50 or less.
- 25 per cent of premiums will go down (259,085 vehicles). Of those decreasing, 92 per cent – 238,587 vehicles – will decrease by \$50 or less
- Eight per cent of premiums will remain unchanged (83,234 vehicles)
- Average rates for motorcycles will decrease by 7.6% or \$83 per vehicle

If approved, the 2014/15 insurance year will be the first time in 10 years the Corporation has asked the PUB for an overall increase to Basic Autopac rates. For 14 of the last 15 years, the Corporation has either held the line or reduced rates without lowering service or reducing coverage



## Condensed Interim Financial Statements

### Condensed Interim Statement of Financial Position

(Unaudited - in thousands of Canadian dollars)	<i>Notes</i>	August 31, 2013	February 28, 2013
<b>Assets</b>			
Cash and investments	5	1,538,190	1,551,879
Equity investments	5	541,814	562,228
Investment property	5	218,733	209,087
Due from other insurance companies		1,435	1,002
Accounts receivable		334,149	321,293
Prepaid expenses		161	1,035
Deferred policy acquisition costs		27,006	26,312
Reinsurers' share of unearned premiums		8,706	69
Reinsurers' share of unpaid claims		34,481	33,732
Property and equipment		126,985	126,883
Deferred development costs		55,072	47,613
		2,886,732	2,881,133
<b>Liabilities</b>			
Due to other insurance companies		6,141	1,788
Accounts payable and accrued liabilities		49,665	58,227
Financing lease obligation		4,454	4,482
Unearned premiums		470,627	474,977
Provision for employee current benefits		21,258	21,501
Provision for employee future benefits		339,135	332,155
Provision for unpaid claims	4	1,564,692	1,558,024
		2,455,972	2,451,154
<b>Equity</b>			
Retained Earnings			
Basic Insurance Retained Earnings			
Rate Stabilization Reserve		163,311	141,470
Retained Earnings		-	-
		163,311	141,470
Non-Basic Retained Earnings			
Retained Earnings		200,234	177,231
Extension Development Fund		3,818	6,723
		204,052	183,954
		367,363	325,424
Accumulated Other Comprehensive Income		63,397	104,555
<b>Total Equity</b>		430,760	429,979
		2,886,732	2,881,133

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

## Condensed Interim Statement of Operations

(Unaudited - in thousands of Canadian dollars)		Three months ended		Six months ended	
	Notes	August 31, 2013	August 31, 2012	August 31, 2013	August 31, 2012
<b>Earned Revenues</b>					
Gross premiums written		242,967	229,787	509,122	488,692
Premiums ceded to reinsurers		(9)	-	(17,470)	(12,434)
Net premiums written		242,958	229,787	491,652	476,258
(Increase) decrease in gross earned premiums		8,614	19,570	(20,916)	(374)
Increase (decrease) in reinsurers' share of unearned premiums		(4,368)	(4,112)	8,637	4,191
Net premiums earned		247,204	245,245	479,373	480,075
Service fees & other revenue		6,623	6,823	13,161	13,200
<i>The Drivers and Vehicles Act</i> operations recovery		6,975	6,975	13,950	13,950
<b>Total Earned Revenues</b>		<b>260,802</b>	<b>259,043</b>	<b>506,484</b>	<b>507,225</b>
<b>Claims Costs</b>					
Direct claims incurred		140,765	196,639	359,153	364,631
Claims incurred ceded to reinsurers		(575)	(1,832)	(1,208)	(2,176)
Net claims Incurred		140,190	194,807	357,945	362,455
Claims Expense		31,983	29,815	64,724	59,635
Loss prevention/Road safety		4,151	4,670	7,460	7,745
<b>Total Claims Costs</b>		<b>176,324</b>	<b>229,292</b>	<b>430,129</b>	<b>429,835</b>
<b>Expenses</b>					
Operating		27,464	29,900	57,041	58,134
Commissions		18,005	18,166	35,813	36,101
Premium taxes		7,547	7,481	14,646	14,650
Regulatory/Appeal		916	770	1,688	1,585
<b>Total Expenses</b>		<b>53,932</b>	<b>56,317</b>	<b>109,188</b>	<b>110,470</b>
<b>Underwriting income (loss)</b>		<b>30,546</b>	<b>(26,566)</b>	<b>(32,833)</b>	<b>(33,080)</b>
<b>Investment income</b>	6	<b>45,281</b>	<b>17,648</b>	<b>74,772</b>	<b>54,266</b>
<b>Net income (loss)</b>		<b>75,827</b>	<b>(8,918)</b>	<b>41,939</b>	<b>21,186</b>

## Condensed Interim Statement of Comprehensive Income (Loss)

(Unaudited - in thousands of Canadian dollars)		Three months ended		Six months ended	
		August 31, 2013	August 31, 2012	August 31, 2013	August 31, 2012
<b>Net income (loss) after surplus distribution</b>		<b>75,827</b>	<b>(8,918)</b>	<b>41,939</b>	<b>21,186</b>
<b>Other Comprehensive Income (Loss)</b>					
Unrealized gains (losses) on Available for Sale assets		43,198	20,256	51,088	(11,116)
Reclassification of net realized (gains) losses related to Available for Sale assets		(90,974)	(2,098)	(92,246)	(4,721)
Other Comprehensive Income (Loss) for the period		(47,776)	18,158	(41,158)	(15,837)
<b>Total Comprehensive Income (Loss)</b>		<b>28,051</b>	<b>9,240</b>	<b>781</b>	<b>5,349</b>

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

## Condensed Interim Statement of Changes in Equity

(Unaudited - in thousands of Canadian dollars)	Basic		Non-Basic		Corporate		
	Rate Stabilization Reserve (RSR)	Retained Earnings (B-RE)	Retained Earnings (NB-RE)	Extension Development Fund (EDF)	Retained Earnings	Accumulated Other Comprehensive Income	Equity
Balance as at March 1, 2012	155,700	57,983	139,060	20,769	373,512	58,115	431,627
Net income (loss) for the period	-	2,786	18,400	-	21,186	-	21,186
Other comprehensive income (loss) for the period	-	-	-	-	-	(15,837)	(15,837)
Transfer between NB-RE & EDF	-	-	5,549	(5,549)	-	-	-
Balance as at August 31, 2012	155,700	60,769	163,009	15,220	394,698	42,278	436,976
Balance as at March 1, 2013	141,470	-	177,231	6,723	325,424	104,555	429,979
Net income (loss) for the period	21,841	-	20,098	-	41,939	-	41,939
Other comprehensive income (loss) for the period	-	-	-	-	-	(41,158)	(41,158)
Transfer between NB-RE & EDF	-	-	2,905	(2,905)	-	-	-
Balance as at August 31, 2013	163,311	-	200,234	3,818	367,363	63,397	430,760

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

## Condensed Interim Statement of Cash Flows

(Unaudited - in thousands of Canadian dollars)	Notes	Six months ended	
		August 31, 2013	August 31, 2012
<b>Cash Flows from (to) Operating Activities:</b>			
Net income after surplus distribution		41,939	21,186
Non-cash items:			
Depreciation of property and equipment		3,298	3,394
Amortization of deferred development costs		4,423	4,415
Amortization of bond discount and premium		1,612	2,491
(Gain) loss on sale of investments		(75,338)	(20,111)
Unrealized (gain) loss on Fair Value Through Profit or Loss bonds		43,406	5,376
Unrealized (gain) loss on investment in real estate		(10,055)	(10,163)
Unrealized (gain) loss on investment in infrastructure		134	-
Write-down of investments		-	45
		9,419	6,633
Net change in non-cash balances:			
Due from other insurance companies		(433)	969
Accounts receivable and prepaid expenses		(11,984)	(4,628)
Deferred policy acquisition costs		(694)	895
Reinsurers' share of unearned premiums and unpaid claims		(9,386)	(5,805)
Due to other insurance companies		4,353	114
Accounts payable and accrued liabilities		(8,561)	(10,605)
Unearned premiums		(4,350)	(19,751)
Provision for employee current benefits		(243)	(701)
Provision for employee future benefits		6,980	8,298
Provision for unpaid claims		6,668	35,836
		(17,650)	4,622
		(8,231)	11,255
<b>Cash Flows from (to) Investing Activities:</b>			
Purchase of investments		(1,166,303)	(548,544)
Proceeds from sale of investments		1,082,037	491,726
Acquisition of property and equipment net of proceeds from disposals		(3,400)	(3,382)
Financing lease obligation		(28)	(26)
Deferred development costs incurred		(11,882)	(7,674)
		(99,576)	(67,900)
<b>Increase (decrease) in Cash and Short-Term Investments</b>		(107,807)	(56,645)
Cash and short-term investments beginning of year		170,882	135,888
<b>Cash and Short-Term Investments end of period</b>	5	63,075	79,243

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*, the Corporation is responsible for 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 except as otherwise specified.

***Seasonality***

The automobile insurance business, that 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. Measurement of the financial instruments is detailed in Note 4 of the 2011 Annual Report.

***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 from these estimates.

**3) Summary of Significant Accounting Policies**

Refer to the 2012 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. There is no amount held in trust on behalf of other insurance companies included in cash and short-term investments (2012 – nil).

Short-term investments have a total principal amount of \$70.8 million (2012 - \$87.4 million) comprised of provincial short-term deposits with effective interest rates of 0.95% (2012 – 0.93%), 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. There were no drawdowns against this line of credit at August 31, 2013.

### Cash and Investments

(Unaudited – in thousands of Canadian dollars)

	Financial Instruments			Non-Financial Instruments	Total Carrying Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at August 31, 2013					
Cash and short-term investments	63,059	-	-	-	63,059
Bonds					
Federal	-	-	136,684		136,684
Manitoba:					
Provincial	-	-	234,153		234,153
Municipal	-	14,822	30,141		44,963
Hospitals	-	-	11,750		11,750
Schools	-	558,944	-		558,944
Other provinces:					
Provincial	-	-	333,037		333,037
Municipal	-	-	62,898		62,898
Corporations	-	-	42,943		42,943
	-	573,766	851,606	-	1,425,372
Other investments	4,022	-	-		4,022
Infrastructure	-	-	45,720		45,720
Cash and investments	67,081	573,766	897,326	-	1,538,173
Equity investments	541,831	-	-		541,831
Pooled Real Estate Fund	-	-	183,057		183,057
Investment property	-	-	-	35,676	35,676
	608,912	573,766	1,080,383	35,676	2,298,737



(Unaudited – in thousands of Canadian dollars)

	Financial Instruments			Non-Financial Instruments	Total Carrying Value
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Fair Value Through Profit or Loss		
As at August 31, 2012					
Cash and short-term investments	79,243	-	-	-	79,243
Bonds					
Federal	-	-	80,409		80,409
Manitoba:					
Provincial	-	-	259,684		259,684
Municipal	-	17,295	47,157		64,452
Hospitals	-	-	12,295		12,295
Schools	-	519,122	-		519,122
Other provinces:					
Provincial	-	-	411,927		411,927
Municipal	-	-	59,030		59,030
Corporations	-	-	48,244		48,244
	-	536,417	918,746	-	1,455,163
Other investments	5,149	-	-		5,149
Infrastructure	-	-	15,076		15,076
Cash and investments	84,392	536,417	933,822	-	1,554,631
Equity investments	495,593	-	-		495,593
Pooled Real Estate Fund	-	-	164,249		164,249
Investment property	-	-	-	36,495	36,495
	579,985	536,417	1,098,071	36,495	2,250,968

### Fair Value Measurement

Financial instruments 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 are 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 August 31, 2013 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	146,587	688,734	16,285
Infrastructure	-	-	45,720
Investment property	-	183,057	-
Total FVTPL financial assets	146,587	871,791	62,005
AFS financial assets			
Cash and short term investments	63,059	-	-
Other investments	-	-	4,022
Equity investments	541,831	-	-
Total AFS financial assets	604,890	-	4,022
Total assets measured at fair value	751,477	871,791	66,027

Fair value measurement of instruments included in Level 3 (in thousands of Canadian dollars)	FVTPL	AFS
Balance at March 1	38,716	4,099
Total gains/(losses)		
Included in net income	134	-
Included in other comprehensive income	-	-
Purchases	23,155	-
Sales	-	(77)
Balance at August 31, 2013	62,005	4,022

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

## 6) Investment Income

(in thousands of Canadian dollars)	August 31, 2013	August 31, 2012
Interest income	24,039	25,070
Gain (loss) on sale of Fair Value Through Profit or Loss bonds	(2,316)	15,346
Unrealized gain (loss) on Fair Value Through Profit or Loss bonds	(43,406)	(5,376)
Unrealized gain (loss) on investment property	10,055	10,163
Gain (loss) on infrastructure investments	373	195
Unrealized gain (loss) on infrastructure investments	134	-
Dividend income	6,575	5,585
Gain (loss) on sale of equities	77,660	4,769
Gain (loss) on foreign exchange	2,424	-
Income from investment property	1,345	1,279
Write-down of investments	-	(45)
Investment management fees	(2,111)	(2,720)
Total	74,772	54,266

## 7) Employee Future Benefits Expense

The total benefits costs included in expenses are as follows:

(Unaudited – in thousands of Canadian dollars)		
	August 31, 2013	August 31, 2012
Pension benefits	11,250	11,552
Other post-employment benefits	596	1,070
Total	11,846	12,622

## 8) Depreciation and Amortization

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

(Unaudited – in thousands of Canadian dollars)		
	August 31, 2013	August 31, 2012
Amortization – Deferred Development	4,423	4,414
Depreciation – Property and equipment	3,298	3,394
Total	7,721	7,808

## Manitoba Public Insurance Locations

### Customer Service

#### Winnipeg

Tel: 204-985-7000

#### Outside Winnipeg

Tel: 800-665-2410

#### Deaf Access TTY/TDD

Tel: 204-985-8832

#### Out-of-Province Claims

Tel: 800-661-6051

### Administrative Offices

#### Winnipeg

234 Donald Street  
Box 6300  
R3C 4A4

#### Brandon

731–1<sup>st</sup> Street  
R7A 6C3

### Service Locations

#### Winnipeg Service Centres

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

#### cityplace

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

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

#### Arborg

Service Centre  
323 Sunset Boulevard

#### Beausejour

Service Centre  
848 Park Avenue

#### Brandon

Service Centre  
731–1<sup>st</sup> Street

#### Dauphin

Service Centre  
217 Industrial Road

#### Flin Flon

Claim Centre  
8 Timber Lane

#### Portage la Prairie

Claim Centre  
2007 Saskatchewan Avenue  
West

#### Driver and Vehicle Licensing Centre

25 Tupper Street North

#### Selkirk

Service Centre  
1008 Manitoba Avenue

#### Steinbach

Service Centre  
91 North Front Drive

#### Swan River

Claim Centre  
125–4<sup>th</sup> Avenue North

#### The Pas

Claim Centre  
424 Fischer Avenue

#### Thompson

Service Centre  
53 Commercial Place

#### Winkler

Service Centre  
355 Boundary Trail

*For more information contact:*

**Manitoba Public Insurance  
Corporate Communications**

Room 820, 234 Donald Street

P.O. Box 6300

Winnipeg, MB R3C 4A4



**Manitoba  
Public Insurance**