MANITOBA PUBLIC INSURANCE

2022
Annual Report

Contents

Letters of Transmittal

MANITOBA
PUBLIC INSURANCE

July 31, 2023

Honourable Kelvin Goertzen
Minister of Justice and Attorney
General & Minister Responsible for
the Manitoba Public Insurance Corporation
Room 104, Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister,

In accordance with Section 43(1) of *The Manitoba Public Insurance Corporation Act*, I am pleased to submit the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended March 31, 2023.

Respectfully submitted,

Ward Keith
CHAIRPERSON OF THE BOARD

Manitoba

July 31, 2023

Her Honour The Honourable
Anita R. Neville, P.C., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

May it please your Honour,

I am pleased to present the Annual Report for the Manitoba Public Insurance Corporation for the fiscal year ended March 31, 2023.

Respectfully submitted,

Kelvin Goertzen
MINISTER OF JUSTICE AND
ATTORNEY GENERAL & MINISTER
RESPONSIBLE FOR
THE MANITOBA PUBLIC
INSURANCE CORPORATION

About Manitoba Public Insurance

Corporate Profile

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

Corporate Mission

Exceptional coverage and service, affordable rates and safer roads through public auto insurance.

Corporate Vision

The trusted auto insurance and driver services provider for every Manitoban.

Corporate Values

As a public auto insurer, we hold ourselves accountable to all Manitobans to deliver value by fostering a culture of excellence. We achieve this through our four core values:

Striving for Excellence

We provide exceptional coverage and service. We adapt to meet evolving customer and industry needs, focusing on continuous improvement.

Providing Value to Manitobans

We maintain affordable rates and ensure accessible coverage. As a public auto insurer, fiscal responsibility is at the forefront of everything we do.

Doing What's Right

We act with integrity and accountability. We strive to be open and transparent.

Investing in People

We empower our employees to provide excellent service. We work together with business, community and road safety partners to fulfill our mission.

Message from the Chairperson

For over five decades, Manitoba Public Insurance has been a dependable and essential part of the lives of Manitobans in all corners of our province.

While much has changed over that time, Manitoba Public Insurance remains committed to its mission to provide exceptional coverage and service, affordable rates and safer roads through public auto insurance.

Since my appointment as Chairperson in May 2023, I have directed management to focus on MPI's mission and mandate, while executing against three key business objectives:

- Meeting financial obligations through a continual focus on fiscal prudence and responsible financial management. Controlling costs leads to lower insurance rates for all Manitobans.
- Delivering Project Nova, our long-term initiative to replace outdated and unsupported legacy technology platforms. This will ensure our public insurance system is safe, reliable and secure for generations to come, while enabling the introduction of new online service options.
- Improving service delivery and ensuring that continual improvements to how we serve our customers remains a priority. This includes enhanced online options as well as better frontline service availability and delivery to ensure people across the province have access to affordable products and services that meet their needs.

Although there is work ahead to narrow MPI's attention on these priorities through tighter Board oversight and governance processes, I'm pleased to share that they continued to be key components of the value that the Corporation provided to our customers over the past year.

In our current inflationary environment, many Manitobans are rightfully concerned about the rising costs of their basic needs – including auto insurance. However, looking at specific examples, it's clear that MPI's public insurance model and emphasis on fiscal prudence continues to deliver among the lowest rates in Canada.

A 40-year-old couple and their 16-year-old son, all with clean driving records, pay a lot less to insure a 2018 Ford F150 XLT SuperCrew here than elsewhere. For comparable coverage in 2023, they would pay $5,520 in Toronto, $5,184 in Calgary, and just $1,400 in Winnipeg. This is just one of many examples that clearly show MPI is providing significant value for our customers.

Built into their predictable and stable rates, Manitobans also receive coverage from our Personal Injury Protection Plan, which protects all residents injured in automobile collisions in Canada or the U.S. It provides world-class coverage for economic losses and rehabilitative requirements. Supporting those affected – whether they are recovering from injuries, adapting to new physical or emotional realities, or dealing with the loss of a loved one – is one of the most important services we provide. I am proud that MPI is able to offer such a high level of security and peace of mind for all Manitobans when they need it most.

We recognize the importance of investing in our future to provide customers the services and products they need. I am pleased that Project Nova launched the first of four phases earlier this year. The second phase will be launched later in 2023, with two additional phases in the years that follow. With each phase building on the last, the initiative will increase MPI's ability to provide online services for customers while introducing new reliable and secure foundational system solutions. The Corporation has committed to continuing these essential technology updates and delivering Nova on time and within budget. This will be done through greater involvement from the Board of Directors and through external oversight from a new Governance and Advisory Services vendor to ensure the program is managed diligently, responsibly and with the right levels of transparency.

Throughout 2022/23, the Corporation also maintained a focus on service delivery and corporate citizenship. To give just one example, MPI acted quickly to respond to those fleeing the war in Ukraine by providing community-based service in the Ukrainian language and creating a new simplified driver's licence exchange process for eligible individuals arriving in Manitoba. This allows individuals to exchange a Ukrainian passenger vehicle licence for a Manitoba Class 5 licence without the need for further driver testing.

We understand that the role MPI plays in advocating for safer roads has never been more important. With this in mind, the Corporation continued to promote road safety through year-round awareness campaigns, partnerships, community involvement and educational engagement opportunities. MPI also continued its ongoing efforts to provide driver education to about 10,000 high school students per year through the Driver Z program.

In outlining these achievements, I want to acknowledge the hard work, abundant expertise and dedicated oversight of my Board colleagues. I also want to recognize the commitment of MPI's current executive team, and the hard work and dedication of all employees through this challenging transition period as we continue to live our mission, focus on meeting our financial obligations, deliver Project Nova and improve service delivery for all Manitobans.

Ward Keith
CHAIRPERSON OF THE BOARD

Board of Directors

Message from the President and Chief Executive Officer

At Manitoba Public Insurance, providing value to our customers is at the core of all that we do.

Amidst a challenging year, MPI continued to deliver coverage that is among the most comprehensive and rates that are among the lowest in Canada, in addition to improved products and experiences that align with the expectations of Manitobans.

I want to extend my sincere appreciation to the Board of Directors for their support as I stepped into the role of interim President and CEO in May 2023. I look forward to their guidance as we work collaboratively on our key business objectives to meet our financial obligations, deliver Project Nova, and improve service delivery for all Manitobans.

With our commitment to fiscal prudence at the forefront, MPI's Capital Management Plan employs the Minimum Capital Test to ensure appropriate capitalization for all our business lines in a manner that promotes rate stability. While high inflationary pressure experienced in 2022/23 and continuing into 2023/24 has negatively impacted overall expenses, including operating and claims costs, the Corporation remains in good financial shape overall.

Building on four consecutive years of rate decreases, MPI also returned almost $500 million to customers in three successive rebates between 2020 and 2022. In a period of high inflation, I am proud that MPI continues to keep rates stable and predictable for Manitoba families.

Both our low rates and wide-ranging coverage highlight the benefits of public auto insurance. Throughout 2022/23, we worked to further enhance the products and services customers depend on every day. One such instance was our move to streamline loss-of-use coverage to improve replacement transportation coverage in the event a vehicle cannot be driven or is unsafe to drive due to being stolen or accidentally damaged, regardless of fault. Moreover, as repair facilities experienced backlogs that led to increased wait times for repairs, MPI proactively protected customers with eligible claims by temporarily increasing the period of time that a rental vehicle is covered under Extension Loss of Use.

Additionally, as catalytic converter thefts increased significantly, we collaborated with multiple partners, including law enforcement and Manitoba Justice, to help educate Manitobans on theft prevention measures. This followed a move to save customers money by revising our depreciation schedule for catalytic converter losses.

On the technology front, Project Nova, a transformational initiative to update and modernize our legacy technology systems, will ensure that we can continue to provide the high level of service quality that Manitobans want and expect for decades to come. Our first major release under this initiative launched for our Special Risk Extension (SRE) line of business in February 2023 and moved how the Corporation works with brokers selling our SRE products from what was largely a paper-based system into the digital age. This release has since been transitioned to operations, with Nova continuing to provide support to operations to assist in delivery of enhancements and defect remediation. We have committed to delivering the following three phases of Nova on time and within budget.

MPI's commitment to creating safer roads for all Manitobans was reflected in another update to the Driver Safety Rating scale for 2023/24 to provide greater rewards for the safest drivers. This marks the second consecutive year the scale has been expanded and premium discounts were increased for drivers in the upper levels. As well, we have improved the process of auditing and inspecting permitted inspection stations and mechanics, resulting in enhanced vehicle inspections and safer vehicles on our roads.

Using a data-driven approach, we have continued to make strides in improving the customer experience across all our operations. In the aftermath of COVID-19, we worked diligently to reduce service backlogs caused by the pandemic. This included significantly decreasing the wait time for Class 5 road tests through temporarily extending testing hours and hiring 20 additional driver examiners. In northern Manitoba, a dedicated team is now visiting remote communities to provide driver testing and other services, greatly increasing ease of access for many customers.

We have implemented a new system that allows us to email vital claim information to customers, rather than providing it over the phone. This provides a digital record of the information for claimants, and reduces call and wait times through our contact centre, improving both the customer and employee experience.

None of this work that MPI has done and continues to do for Manitobans could happen without our dedicated team of employees. MPI remains committed to being a rewarding and progressive place to work, and we are well on our way – early in 2023, the Corporation was designated a top Manitoba employer for the 11th consecutive year.

In closing, during this period of change for the Corporation, I want to recognize the expertise of our current leadership team and thank all employees for their hard work and dedication to fulfilling our mission and creating value for Manitobans.

Marnie Kacher
INTERIM PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Executive Team

Marnie Kacher
INTERIM PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Shawn Campbell
INTERIM VICE PRESIDENT
AND CHIEF INFORMATION &
TECHNOLOGY OFFICER

Lisa Gendreau
VICE PRESIDENT AND
CHIEF PEOPLE OFFICER

Anthony Guerra
GENERAL COUNSEL AND
CORPORATE SECRETARY

Satvir Jatana
VICE PRESIDENT AND
CHIEF CUSTOMER OFFICER

Ryan Kolaski
VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Cara Low
VICE PRESIDENT AND
CHIEF ACTUARY AND
CHIEF RISK OFFICER

Shayon Mitra
VICE PRESIDENT AND CHIEF
TRANSFORMATION OFFICER

Jeff Sass
INTERIM VICE PRESIDENT AND
CHIEF OPERATIONS OFFICER

Strategic Direction

MPI continues to build upon its proud history of providing value through public auto insurance as we move forward to achieve our vision of being the trusted auto insurance and driver services provider for every Manitoban.

Drivers in Manitoba pay among the lowest rates in Canada, while receiving some of the most comprehensive coverage. Our Personal Injury Protection Plan supports all Manitobans injured in an automobile collision anywhere in Canada or the U.S. and provides world-class coverage for economic losses and rehabilitative requirements. It is in our mission to deliver exceptional coverage and affordable rates, and we remain committed to continuing to provide value to all Manitobans.

To fully live our mission, we are focused on three key business objectives. We must meet all our financial obligations by maintaining a continual focus on fiscal prudence and responsible financial management to control costs – which ultimately contributes to our delivery of exceptional coverage and affordable rates. We commit to delivering Project Nova to ensure our systems are safe, reliable and secure for generations to come. Additionally, continually improving how we serve our customers will always be a key priority at MPI.

A key input to our strategic direction stems from growing our understanding about our customers and what's important to Manitobans. We are now employing real-time survey data gleaned from customers who interact with us to capture insights that will inform action planning and decision making in our organization.

One insight that is shared by an ever-increasing segment of customers is the desire to conduct more transactions online. That insight, along with the basic operating requirement to update our aging systems, is behind Project Nova, the largest digital transformation in our 50-year-plus history.

To use a simple analogy, our systems are like an iPhone 4 that simply cannot do many of the things you would expect from a new iPhone. If our systems are not modernized, we will eventually be unable to sustain basic business operations – just like a generations-old phone may not properly run the latest apps.

In 2022/23 all of us at MPI are pleased with the launch of the first of four major Nova phases. This first release shifts MPI's Special Risk Extension business line from a paper-based solution into the digital age.

We plan to build upon this foundation in 2023/24 when Nova's second phase will modernize our International Registration Plan processes. In addition to improving the overall customer experience and giving us greater online service capabilities, Nova will deliver business objectives that include a stable technology platform, reduced operating costs and IT risk, greater agility to meet future needs, increased security and more efficient processes and procedures.

Our focus on the customer extends far beyond systems transformation. We have created a CX maturity roadmap to improve and enhance the customer experience, based on journey maps developed from strategic research including customer surveys and focus groups. These findings are informing our priorities and actions as we continue to enhance the customer experience for Manitobans requiring licensing, insurance, registration and identification services. We also continue to evolve our product roadmap with customer feedback and insight, and anticipate future updates to the Driver Safety Rating, the vehicle-for-hire insurance model, and more.

It should be noted that the Government of Manitoba is undertaking an external review of MPI through much of the 2023/24 year, with a requirement to withhold any material changes to our operations during the review process. MPI remains committed to full transparency and cooperation throughout the review.

On the financial side, we are firmly committed to meeting our financial obligations through a continual focus on fiscal prudence and responsible financial management. We continue to advance actuarial practices, risk management, financial forecasting, and investment and Asset Liability Management methods, while ensuring International Financial Reporting Standards readiness. We will also continue to incorporate reinsurance where appropriate to mitigate claims volatility. In addition, we are working to refine the capital rebate and build components of our Capital Management Plan, which ensures appropriate capitalization for all lines of business. MPI has filed a zero per cent overall rate change for the 2024/25 insurance year with the PUB, in line with government direction – however, our sound financial position enables us to confidently forecast an actuarially indicated preliminary rate request that is nearly identical.

Technologically, we continue to invest in improvements to cyber security maturity and promote process automation across the Corporation. The cyber security landscape is constantly changing, and MPI works to mitigate risk on multiple fronts.

Road safety also remains a key component of our mission. We continue to promote safer roads through driver education, awareness campaigns, stakeholder engagement, community outreach, law enforcement support and research into the leading causes of death and serious injury on Manitoba roads. Increasingly, we are targeting safety campaigns to specific niche groups, based on demographic research.

Our employees are the co-creators of our future, and we are proud to enable our staff to unlock the potential of MPI, every day. Together, our management team is redefining what it means to lead at MPI and adopting a future-thinking approach. By challenging the status quo and holding ourselves and each other accountable, all employees will play a part in re-shaping how MPI delivers for Manitobans. Taking many small steps to work collaboratively, enabling others to do their best work and encouraging an agile mindset are creating a big shift in our culture.

By continuing to build upon past successes, and by keeping a laser-sharp focus on our key business objectives of meeting financial obligations, delivering Project Nova and improving service delivery, the direction is clear for us to realize our vision of being the trusted auto insurance and driver services provider for every Manitoban.

Corporate Performance Measures and Targets

For the years ending March 31, 2023, and March 31, 2022.

Financial Performance

Net Income Before Rebate to Policyholders

In millions

$4.2	$28.1	$98.3
ACTUAL 2022/23	ANNUAL TARGET	PAST 2021/22

Total Net Premiums Earned

In millions

$1,438.0	$1,427.9	$1,420.8
ACTUAL 2022/23	ANNUAL TARGET	PAST 2021/22

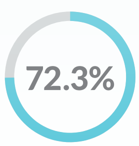
Total Net Claims Incurred

In millions

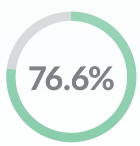
$1,039.3	$1,093.3	$883.2
ACTUAL 2022/23	ANNUAL TARGET	PAST 2021/22

Corporate Loss Ratio

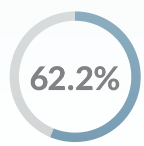
Net Claims Incurred / Net Premiums Earned



ACTUAL 2022/23



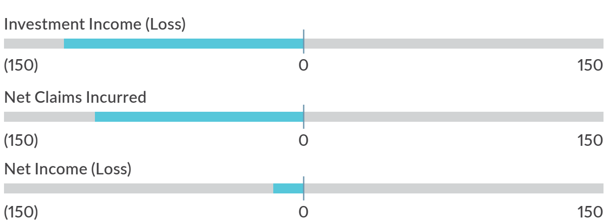
ANNUAL TARGET



PAST 2021/22

Asset Liability Management — Interest Rate Impact

In millions



	ACTUAL 2022/23	PAST 2021/22
Investment Income (Loss)	$(119.6)	$(133.4)
Net Claims Incurred	$(104.2)	$(137.6)
Net Income (Loss)	$(15.4)	$4.2

Total Return — Investments

(0.75)%	4.82%	0.56%
ACTUAL 2022/23	ANNUAL TARGET	PAST 2021/22

Rate Comparison

2023 rates based on: 2018 Ford F150 XLT SuperCrew, $500 all-perils deductible, $2 million third-party liability	21-Year-Old Male Claims and conviction free	35-Year-Old Couple Both claims and conviction free	40-Year-Old Couple Both claims and conviction free; 16-Year-Old Son Claims and conviction free
Winnipeg, MB	$1,885	$1,355	$1,400
Calgary, AB	$5,663	$2,692	$5,184
Toronto, ON	$6,795	$3,108	$5,520

Notes: 1. The 2018 Ford F150 XLT SuperCrew is the most common passenger vehicle registered in Manitoba.
2. Manitobans will pay less for their automobile insurance in 2023 than residents of most major Canadian cities.

Operational Excellence

Total Full-Time Equivalent (Average)

2,001	2,049	1,879
ACTUAL 2022/23	ANNUAL TARGET	PAST 2021/22

Total Expense Ratio

(Claims Expenses + Operating Expenses) / Net Premiums Earned

24.9%	26.2%	23.0%
ACTUAL 2022/23	ANNUAL TARGET	PAST 2021/22

Customer Service

Customer Experience (CX) Index™ Score

69.9	70.0
ACTUAL 2022/23	ANNUAL TARGET

Note: The overall CX Index™ score ranges from zero to 100.

Sourcing: A commissioned study conducted by Forrester Research leveraging the CX Index™ framework, February 2023.

MPI has adopted an industry standard method of measuring our customer experience. MPI's CX Index™ Score places it just below the "Good" range overall, which is our targeted minimum customer experience.

Disclaimer: Forrester does not endorse any company included in any CX Index™ research and does not advise any person to select the products or services of any particular company based on their CX Index™ ratings.

Organizational Health

Capital Adequacy (Minimum Capital Test)

Basic		Extension		Special Risk Extension	
111%	100%	202%	200%	386%	300%
ACTUAL 2022/23	TARGET	ACTUAL 2022/23	TARGET	ACTUAL 2022/23	TARGET

2022/23 Year-End Summary

Dollars and Cents

Approximate Autopac claims paid per working day	$3.5 million
Total Autopac claims paid for injuries occurring in 2022/23 (before expenses)	$165.6 million
Total Autopac claims paid for physical damage occurring in 2022/23 (before expenses)	$692.8 million
Amounts paid by MPI to Manitoba medical practitioners on behalf of customers	$25.0 million
Commissions expensed to independent insurance brokers for product sales	$99.4 million
Grants-in-lieu of taxes paid to Manitoba municipalities by MPI	$1.8 million
Provincial premium taxes total	$43.8 million
Dollars invested in road safety programs	$12.2 million
Savings to policyholders through use of recycled parts made available for use in claims repairs	$7.9 million
Estimated direct savings to policyholders through subrogation	$13.7 million

Significant Numbers

Average number of Autopac claims reported per working day	1,065
Total Autopac claims reported	264,102
Third-party-liability bodily injury and PIPP injury claims reported	12,185
Property damage claims reported	251,917
Number of Autopac policies in force (average)	1,252,465

Corporate Five-Year Statistics

	2022/23	2021/22	2020/21	2019/20*	2018/19
Premiums written ($000)	1,478,320	1,400,637	1,421,176	1,506,361	1,315,612
Net claims incurred ($000)	1,039,297	883,227	780,167	1,008,821	1,015,922
Number of claims	264,102	258,659	228,956	293,649	297,920
Average cost per claim ($)	3,935	3,415	3,407	3,435	3,410
Claim expenses ($000)	174,722	166,547	160,857	161,236	143,832
Other expenses ($000)	326,889	294,778	255,766	291,030	268,872
Net income before rebate to policyholders ($000)	4,206	98,346	362,320	180,159	159,145
Net income (loss) after rebate to policyholders ($000)	4,206	(58,188)	27,373	180,159	159,145
Investments at year-end ($000)	3,506,739	3,503,089	3,559,312	3,248,890	3,072,813
Total assets ($000)	4,446,304	4,385,304	4,416,550	4,060,256	3,795,943

2019/20 includes 13 months of activity due to the change in fiscal year-end from February 28/29 to March 31. 2018/19 is for the fiscal year ending February 28.

Management Discussion & Analysis

This Management Discussion & Analysis (MD&A) presents management's view of the overall performance and business approach of Manitoba Public Insurance (MPI). The MD&A is divided into four key topics: corporate governance, operational results, risk management and outlook.

Corporate Governance

Effective governance is key to creating value for Manitobans. The Corporation's Board of Directors provides oversight to our executive leadership team to ensure MPI has effective processes in place to deal with issues and concerns from staff, customers and other stakeholders.

Responsibilities of the Board

The Corporation's Board of Directors, appointed by the Government of Manitoba, ensures that corporate policies are consistent with its mandate and the laws of the Province of Manitoba. The Board of Directors is also responsible for overall policy direction of the Corporation and provides oversight and monitoring. Further duties, obligations and responsibilities of the Board of Directors are prescribed by *The Crown Corporations Governance and Accountability Act* and *The Manitoba Public Insurance Corporation Act*.

The Corporation is responsible for preparing an annual business plan which must be approved by the Board and submitted to the Minister responsible for MPI.

Under the provisions of *The Manitoba Public Insurance Corporation Act*, the Board chairperson is required to provide the Minister responsible for MPI and the Lieutenant Governor in Council with an annual report, which is subsequently reviewed by the Standing Committee on Crown Corporations of the Legislative Assembly. With the approval of the Lieutenant Governor in Council, the Minister responsible for MPI has the legislative authority to issue a mandate letter, and directives related to matters of policy, accounting and organizational reviews.

Whistleblower Report

The Corporation has an established Whistleblower Hotline, which is an anonymous and confidential system for the receipt, retention and treatment of complaints about activities that are potentially unlawful or injurious to the public interest, including suspected fraud or financial mismanagement by employees.

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

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

During the fiscal period April 1, 2022, to March 31, 2023, the Whistleblower Hotline received two inquiries.

Fair Practices Office

The Fair Practices Office (FPO) is an avenue for customers and other interested parties to bring issues and concerns of a systemic nature to the attention of MPI.

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

Results of Operations

Manitoba Public Insurance's mandate is to ensure affordable rates and provide value to Manitobans.

MPI finished the 2022/23 fiscal year with net income from operations of $4.2 million. The results that follow represent the financial performance for the year 2022/23, which are discussed and analyzed at the corporate level, while providing context on the four lines of business: Basic Autopac, Extension, Special Risk Extension (SRE), and *The Drivers and Vehicles Act* operations (DVA).

During the 2022/23 fiscal year, for every dollar of revenue earned, MPI provided Manitobans with 68 cents in claims benefits (comprised of 51 cents for physical damage and 17 cents for bodily injury claims). Claims and operating expenses accounted for 24 cents of every dollar of revenue earned while commissions and premium taxes cost 10 cents. This resulted in an underwriting loss of two cents of every dollar of revenue earned.

Investment income increased two cents for every dollar of revenue earned, resulting in a breakeven position at the end of 2022/23.

Where Your Premium Dollar Has Gone

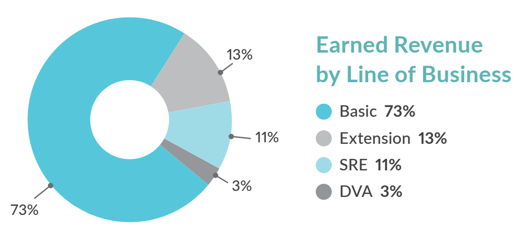
Net Claims Incurred — Physical Damage	$	0.51
Net Claims Incurred — Third-Party-Liability Bodily Injury and PIPP Injury Benefits	$	0.17
Claims & Operating Expense	$	0.24
Commissions	$	0.07
Premium Taxes	$	0.03

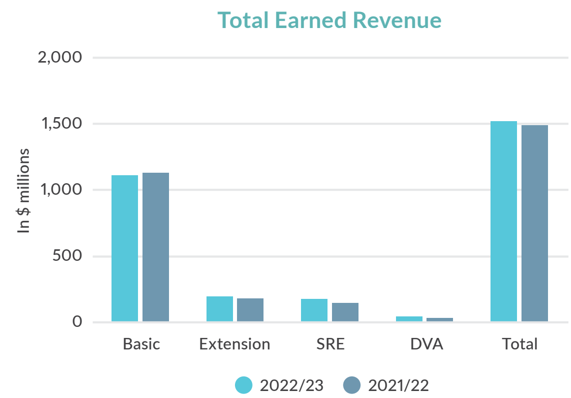
Total earned revenues	**$**	**1.00**
– Total claims and expenses	**$**	**1.02**
= Underwriting loss	$	(0.02)
+ Investment income	$	0.02
= Net income from operations	$	0.00

Revenue

For the 2022/23 fiscal year, MPI earned $1.5 billion in revenue, an increase of 2.1 per cent compared to the previous year. This increase of $31.6 million was primarily attributed to increases in premiums earned for the Extension and SRE lines of business as well as an increase in revenue for *DVA* operations. The Extension line of business saw an increase in the sale of many of the products including Excess Value Coverage, Third-Party Liability and Rental Vehicle Insurance.

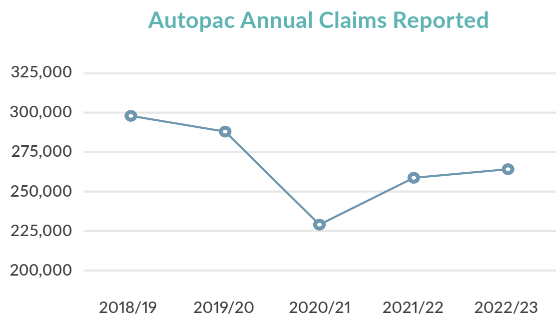
SRE had growth in the size of policies sold, which accounted for the 20.0 per cent increase in net premiums earned for that line of business. DVA received an increase of $10.0 million in the funding provided by the Province of Manitoba. The Basic line of business experienced a decrease of $22.2 million or 2.0 per cent, primarily due to the five per cent capital release that was included in the Public Utilities Board order for 2022/23.





Claims Costs

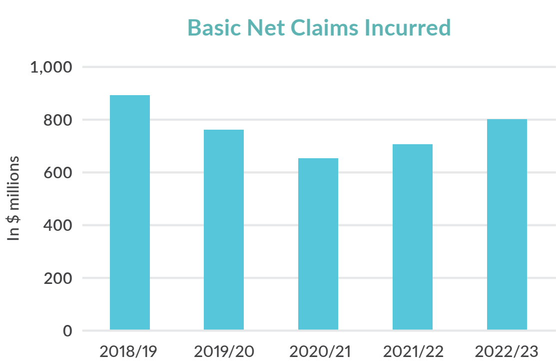
Claims incurred costs are affected by several factors such as weather, labour rates, inflation, supply issues, claim frequency, costs to repair vehicles, and price of used vehicles. Claims incurred costs are also significantly impacted by driving patterns, road safety programs and the decision made by people every day to drive safely. In 2022/23, there was modest growth in the number of Autopac claims made of 2.1 per cent. Over the past 10 years, there has been a decrease in claims reported of 8.2 per cent.



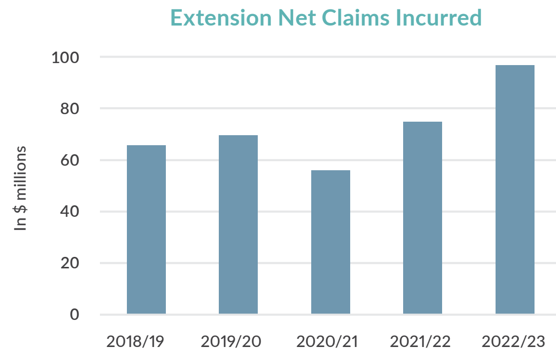
Total claims costs for the Corporation increased to $1,226.2 million in 2022/23, an increase of $164.6 million or 15.5 per cent. This increase was a result of higher net claims incurred of $122.6 million excluding discount rate impact. The discount rate impact also increased by $33.4 million. All three insurance lines of business experienced increases in total claims incurred of 13.6 per cent for Basic, 29.4 per cent for Extension and 37.2 per cent for SRE.

Third-party-liability bodily injury and PIPP injury benefits net claims incurred, excluding impacts from discount rates, increased to $356.6 million, $15.1 million higher than the previous 12-month period. Physical damage net claims incurred increased $107.6 million to $786.8 million compared to the previous 12 months.

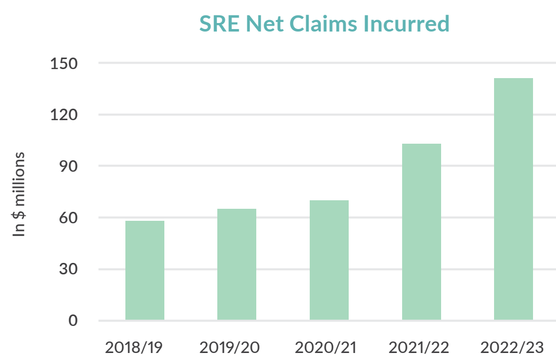
Basic net claims incurred increased year-over-year by $95.9 million to $801.7 million, however, 2022/23 remains below pre-pandemic levels.



Extension net claims incurred have increased $22.0 million to $95.9 million. Extension has experienced an increase in three of the last five years with a 29.4 per cent increase in 2022/23 compared to a 33.5 per cent increase in 2021/22.

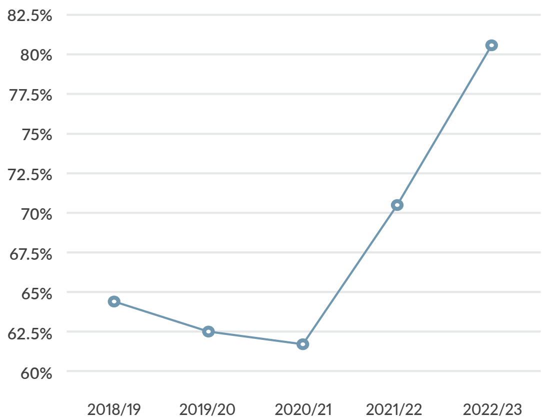


SRE net claims incurred have had year-over-year increases in each of the last five years from 14.9 per cent in 2018/19 to 37.2 per cent in 2022/23. The low was 9.0 per cent in 2020/21 during the height of the pandemic and the high was 45.9 per cent in 2021/22. SRE net claims incurred increased by $38.2 million to $140.8 million in 2022/23.



The increase in net claims incurred for the SRE line of business, was primarily due to large losses in the U.S. These losses are partially covered by reinsurance which helps mitigate the total impact on the overall net income. These large losses continue to negatively impact the loss ratio for SRE which has gone from 64.4 per cent in 2018/19 to a high of 80.6 per cent in 2022/23.

SRE Loss Ratio



MPI has a catastrophic reinsurance structure which is an aggregate cover. Individual losses for severe weather storms, such as hail and wind, are capped at $1 million per event. The aggregate of all events are capped at $40 million for the fiscal year. In 2022/23, there were $29.6 million in gross claims related to hailstorms.

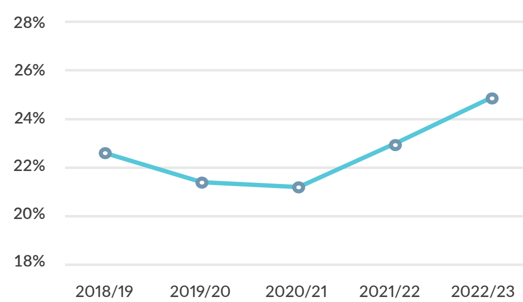
Expenses

Total non-claims related expenses of $314.7 million were higher than the previous 12-month period by $31.0 million, due to increased technology costs associated with modernizing the Corporation's systems, compensation as the Corporation fills critical positions in such areas as IT, Operations, Human Resources and Actuarial, and special services to support the ongoing improvements. Premium taxes increased $5.3 million compared to the previous 12-months due to there being no rebate to policyholders in 2022/23. Commissions, including flat fees paid to brokers, increased by $4.0 million to $99.4 million.

Corporate operating expenses, which include claims expenses, loss prevention/road safety expenses, operating expenses, and regulatory/appeal expenses, are allocated to Basic, Extension, SRE and DVA representing their share of common costs such as compensation of common departments (Finance, IT and Human Resources) that support the four lines of business. Costs are allocated through a formal and structured allocation policy developed in 2011 that is reviewed, at a minimum, annually. The external auditors have accepted the allocation policy, and, for Basic Autopac rate-setting purposes, the Public Utilities Board has approved its use. Effectively, the Corporation's integrated service delivery model ensures that the cost of providing these services is lower than if each were operated on a stand-alone basis.

Although the corporate operating expense ratio in 2022/23 is increasing, this is due to the ongoing investment in technology and service that the Corporation has committed to do over the next number of years.

Corporate Operating Expense Ratio



Underwriting Income (Loss)

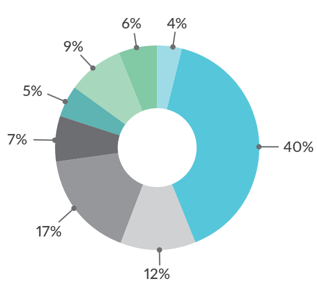
The Corporation had an underwriting loss for the 12-months ending March 31, 2023, of $21.2 million. All three lines of insurance experienced decreases in underwriting income: $135.6 million for Basic; $12.3 million for Extension and $23.0 million for SRE.

Investments and Investment Income

The investment portfolio is held to ensure payment of future claims and is divided into five portfolios. MPI maintains a conservative investment portfolio which consists primarily of high-quality fixed income. Our Asset strategy is formally documented in our Investment Policy Statement which provides guidance on our permissible investments, quality guidelines and investment fiduciary responsibilities.

MPI strives to match our claims payments with an ample investment base to ensure we have duration, dollar and moment matching depending on the portfolio, known as our Asset Liability Management (ALM) Program. In 2022/23, MPI experienced a decrease in claims incurred of $104.1 million and a loss in investment income of $119.6 million for a net ALM impact of a loss of $15.5 million. This ALM impact loss is within the year-end target range of +/- $21.3 million which is based on one per cent of the Basic Claims investment portfolio.

The Minister of Finance is responsible for investing the money that MPI sets aside for future claims payments and other liabilities. The total fair value of the Corporation's investment portfolio was $3.6 billion at March 31, 2023, down $18.1 million from March 31, 2022. The investment portfolio is made up of the below investments:



The total portfolio, on a market value basis, had a negative 0.7 per cent return during the fiscal year (holding period return over the 12 months ended March 31, 2023). The portfolio return is reported on a market value basis for all the assets other than the non-marketable bonds that are reported on a book value basis. Marketable bonds returned negative 3.4 per cent while non-marketable bonds returned 4.3 per cent. The private debt portfolio returned negative 0.8 per cent. The total Canadian equity portfolio increased by 0.7 per cent; large cap Canadian equities returned 0.4 per cent and small cap Canadian equities returned 1.4 per cent. Global equities returned 6.2 per cent in Canadian dollars. The real estate portfolio returned 2.6 per cent while the infrastructure portfolio decreased by 1.1 per cent in fiscal 2022/23. Over a four-year period, the investment portfolio has achieved an annualized return of 2.6 per cent.

Canadian equity markets had negative performance during the period with the S&P/TSX Index and the BMO Small Index declining by 5.2 per cent and 17.6 per cent respectively. However, global equity markets were moderately positive with the MSCI World Index rising by 0.7 per cent.

Government bond yields were quite volatile during the period with the Government of Canada 10-year bond reaching a low of 2.43 per cent on April 1, 2022, a high of 3.38 per cent on October 20, 2022, and ending the fiscal year at 2.90 per cent.

The yield curve inverted during the year, with yields on long-term government bonds increasing by 58 basis points and short-term bond yields increasing by 190 basis points.

Inflation continues to be a major concern during the period. The Bank of Canada pursued an aggressive tightening in interest rates to contain inflation rates by increasing the overnight rate from 1.0 per cent as of March 31, 2022, to 4.5 per cent as of March 31, 2023. As a result of those actions, the annual inflation rate fell from 6.7 per cent at March 31, 2022, to 4.3 per cent at March 31, 2023.

Investment income, net of investment management fees, increased 155.5 per cent to $25.2 million, $70.6 million higher than the previous 12-month period. This is primarily a result of:

- realized gain on sale of equities of $83.6 million (including foreign exchange gain) compared to $13.5 million in the previous 12 months
- unrealized loss on FVTPL bonds of $44.6 million compared to loss of $129.4 million the previous year
- increased short-term interest of $5.4 million compared to the previous year
- realized gain on sale of infrastructure of $4.8 million in 2022/23
- interest on long-term bonds was higher by $4.6 million
- writedown of AFS investments in 2022/23 was $26.1 million compared to a writedown of $29.2 million in 2021/22
- increase in amortization of bonds of $2.4 million

The increases in investment income are offset by:

- realized loss on sale of bonds was $75.0 million, $71.0 million worse than 2021/22
- lower unrealized gain on pooled real estate of $18.3 million
- unrealized loss on infrastructure of $9.5 million compared to unrealized gain in 2021/22 of $0.2 million
- lower dividends on global and Canadian equities of $3.6 million and $0.8 million respectively
- lower income from infrastructure of $1.5 million

Rebate to policyholders

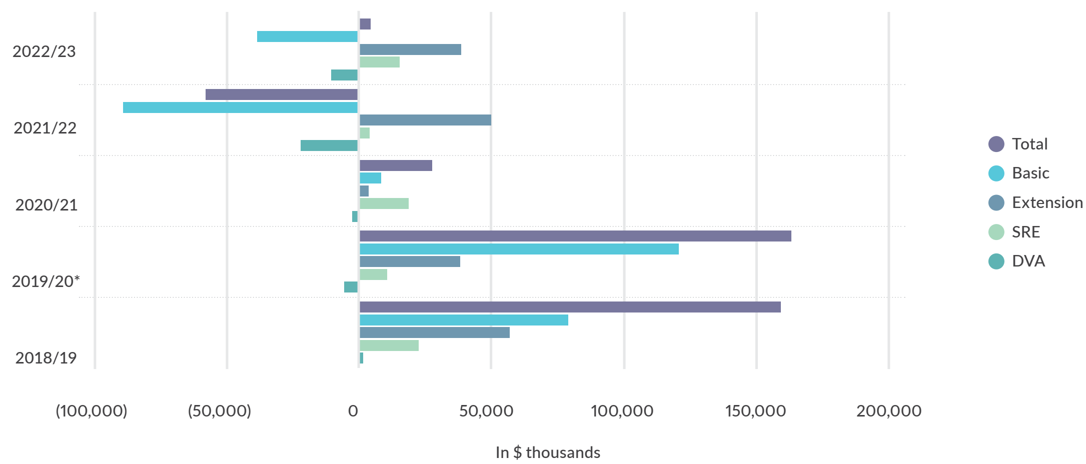
In 2022/23, there were no rebates to policyholders following two years of significant rebates. In 2020/21 and 2021/22 combined, the Corporation returned over $500 million to policyholders in the form of rebates.

Net Income from Operations after Rebate to policyholders

At a corporate level, the net income from operations of $4.2 million was $62.4 million higher for the 12-months ending March 31, 2023, than the previous 12-month period (net income from operations after rebate to policyholders).

The contribution from each of the lines of business to the total corporate net income from operations after rebate to policyholders for the last five years are below.

Net Income (Loss) after Rebate to Policyholders

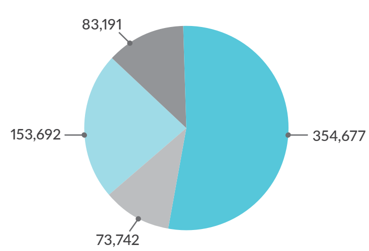


Adjusted to be 12-month period only

Retained Earnings & Transfers between Lines of Business

Overall, the Corporation's retained earnings increased by the net income from operations of $4.2 million to $665.3 million. Retained earnings by line of business are depicted to the right.

At March 31, 2023, the Corporation transferred $34.0 million from the Extension line of business to the Basic line of business in accordance with the Capital Management Program for excess retained earnings from the Extension line of business to be transferred to the Basic line of business.



Risk Management

Like any enterprise, MPI assumes risks in its operations that must be handled effectively in order to achieve its goals. Key risk mitigation areas are addressed below.

Processes and Controls

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

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

- Risk identification and assessment of impact.
- Risk monitoring procedures.
- Processes and controls to manage and mitigate risks.
- The residual risk after consideration of management action.

The Framework ensures a consistent approach for addressing risks and a common understanding of risk and its mitigation throughout the Corporation.

Unpaid Claims

MPI maintains provisions for unpaid claims on a discounted basis to cover future claims commitments. The Corporation makes provisions for future development on claims that have been made, and an estimate for those that may have occurred but have not yet reported. In the case of major injuries, only a small portion of the total benefit is paid in the first year. As time passes and more information becomes available, the estimates are revised to reflect the most current forecast of claims costs.

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

For MPI, long-tail injury claims such as Personal Injury Protection Plan (PIPP) and public liability claims are the largest source of year-to-year variability in the estimate of ultimate costs. This variability is related to future events that arise from the date of the loss to the ultimate settlement of the claims. In comparison, short-tail claims, such as physical damage claims, tend to be more reasonably predictable than long-tail claims.

For MPI, factors such as the effects of inflationary trends and changing interest rates contribute further to this variability. Investment portfolio management techniques help to reduce the effect of this on net income.

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

Capital Management

The Corporation's objectives for managing capital are to ensure MPI is capitalized in a manner which provides a strong financial position, protects its ability to meet policyholder obligations and maintains stable rates.

The capital structure of the Corporation is comprised of retained earnings and Accumulated Other Comprehensive Income. Retained Earnings are comprised of the accumulation of net income (loss) for the Basic and non-Basic lines of business. Non-Basic lines of business consist of Extension and Special Risk Extension (SRE) lines of business and *The Drivers and Vehicles Act* operations.

The capital backing Basic is comprised of the total equity position of the line of business, referred to as the Rate Stabilization Reserve (RSR). The purpose of the RSR is to protect motorists from potential capital builds that could potentially be necessary due to unexpected variance from forecasted results and losses from unforeseen events.

MPI'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 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 Manitoba Public Insurance Corporation Act sets out the Corporation's capital targets expressed as a MCT percentage by line of business as follows:

- Basic 100%
- Extension 200%
- SRE 300%

In Order No. 176/19, the Public Utilities Board temporarily approved the Corporation's Capital Management Plan (CMP), including the 100 per cent MCT Basic target capital level for the next two subsequent insurance years. The CMP determines the mechanism for building and releasing capital within the Basic line of business as well as the capital transfer protocols between Extension and Basic.

Use of the MCT framework aligns with industry best practice and allows for comparisons to the private insurance market. The 100 per cent MCT target for Basic reflects the lower risk level of the Basic monopoly insurance program, while the 200 per cent MCT target for Extension reflects the higher risks of operating in a competitive environment. SRE's 300 per cent MCT target reflects the higher risk exposure of commercial trucking fleets operating out- of-province.

As at March 31, 2023, Basic's MCT was 111 per cent (March 31, 2022—95 per cent), Extension's MCT was 202 per cent (March 31, 2022—201 per cent), and SRE's MCT was 386 per cent (March 31, 2022—270 per cent).

The Corporation's external Appointed Actuary will prepare an FCT report, as of March 31, 2023, for the Basic line of business to assess capital adequacy under adverse financial conditions. This report will be available in September 2023. The most recent report, as of March 31, 2022, was prepared by the Corporation's actuarial team, reviewed and signed by the Corporation's external Appointed Actuary, and completed in September 2022. In the report, the Basic line of business was determined to have satisfactory future financial conditions.

Claims Control Strategies

MPI works diligently to ensure that the premiums entrusted to the Corporation by ratepayers are used efficiently and judiciously, while providing the best customer service possible when paying out on claims. This includes ongoing and active monitoring of claims costs. Our cost control measures with respect to claims management include efforts on multiple fronts to ensure cost effective repairs, fraud prevention, salvage and subrogation recovery, and the sound management of PIPP claims.

Each year, these initiatives contribute significantly to efficiencies in operations to help contain costs or generate revenue, as the case may be. Together, they contribute to keeping insurance premiums as low as possible for customers.

Information Technology Processes

From a risk-management perspective, our two key information technology processes are our business continuity capability and our ongoing digital transformation.

Business Continuity

Over a number of successive years now, MPI has built up robust business-continuity capabilities. These have been developed as a "made-for-MPI" solution leveraging industry best practices, and are aligned to the needs of our staff, customers and business partners. Our Business Continuity Management Program creates corporate plans and responses that ensure continued customer service in the event of a business disruption. It includes emergency response, crisis management, business recovery, IT service continuity, catastrophe, contingency and pandemic responses, and the processes used to ensure ongoing readiness in all phases of our operations. The program is focused on creating and implementing corporate business continuity planning through a strong understanding of our products and services, our people, and our delivery processes and technology.

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

Project Nova Transformation

MPI is engaged in the largest business transformation in the Corporation's 50-year history. Aptly named Project Nova, this initiative aims to usher in a new and improved customer experience by modernizing MPI's core legacy systems and streamlining existing processes.

The technologies that comprise MPI's core systems range in age from 20 to 40-plus years and were built using system architecture principles that are now antiquated, are no longer adequate and don't offer the agility to provide online service capabilities.

Key outcomes of Project Nova include:

- Enhancing information security while significantly reducing downtime and technology risks by moving to modern technology.
- Laying the foundation to provide greater online functionality to our customers.
- Positioning MPI to be better equipped to implement new legislation and offer new services.
- Reducing the current operating costs and IT risks of managing and supporting legacy systems by moving into new commercial off-the-shelf applications for property and casualty insurance, and driver licensing and vehicle registration.

Project Nova contains four major releases. In 2022/23, the Corporation completed the discovery phase and began implementation work for the first two releases. The first release, intended to modernize commercial insurance management, was implemented in a strategic phased rollout among brokers starting in February 2023.

The Corporation is preparing for the launch of the second release, which targets commercial customers who participate in the International Registration Plan, by the end of 2023. The third release, which will enable online options for Manitobans to handle driver and vehicle licensing, insurance and registration transactions, and the fourth release, which involves replacement of MPI's physical damage claims system, will launch in the years that follow.

MPI stakeholders, including brokers, law enforcement, medical professionals and customers, will be engaged throughout the project to capture their feedback and align to their expectations in meeting service standards for MPI customers, and lay the foundation for long-term transformation.

Loss Prevention Strategies

Loss prevention programs and activities support MPI's objective to reduce claims and claims costs, which ultimately contribute to lower insurance premiums for customers. MPI is uniquely positioned to deliver these programs which are designed to educate, influence and incent safe driving behaviour.

The Corporation hosted a technical conference in June 2022 to review activities that improve road safety in Manitoba, and share knowledge of the state of road safety in Manitoba with other stakeholders. The conference also provided an opportunity for road safety stakeholders in Manitoba to exchange ideas on how to improve road safety in the province.

In 2022, MPI adopted a new road safety strategy focused on data-driven decision making. The Corporation completed research studies of the issues of speeding and driver impairment, uncovering new insights into these issues that will inform our road safety activities in the years to come. We also completed a pilot project on the use of roadside speed display boards and found them to be an effective tool for reducing the frequency of speeding.

Also in 2022, a new three-year road safety strategy focused on targeted road safety initiatives was released. Awareness campaigns supported this strategic shift by leaning more into digital advertising, including social media, which encourages efficient targeting of high-risk groups and enhanced data collection.

Sixty-five per cent of Manitobans are active (spending at least 29 minutes per day) on at least one social media platform. The percentage of Manitobans that are online in other ways is even higher. To reach Manitobans, we need to be online and need to be online effectively.

In 2022, MPI increased our digital advertising to test messaging, creative approaches and targeted audience segments. This more analytical approach has two impacts. First, some Manitobans may see slightly different advertisements than others, depending on their age and/or location. Second, they may see a different volume of digital advertisements compared to others, depending on how they react to an advertisement.

Digital advertising allows us to quickly leverage new road safety data and target high-risk demographics. For example, data showed us that two regions in the province had lower than average seatbelt use. Shortly after analyzing the data, we developed an online campaign targeted at just those regions of the province. Digital advertising also provides insights to increase the effectiveness of messaging on other media channels such as radio, TV and billboards. Watch for a continued digital focus as we create new road safety campaigns in 2023/24.

Each year on average, MPI provides High School Driver Education to over 10,000 new teen drivers in Manitoba through the Driver Z program. With the support of our dedicated Driver Z contractors, we were able to continue to provide service across Manitoba, including in-car lessons.

Over 1,200 commercial driving students received Mandatory Entry-Level Training (MELT) in Manitoba in 2022. Throughout the year, MPI worked with the driver-training industry to reduce gaps between training and testing. MPI continued to provide support and oversight to Class 1 driving schools to ensure quality of education and compliance with the policies and regulations which govern their permits, and maintained our commitment to improve road safety and ensure MELT harmonization with other jurisdictions in Canada.

Outlook

MPI is committed to achieving its key priorities and corporate objectives. Actual results are monitored quarterly by the Board of Directors and may deviate from forecasts prepared in the previous year for rate-setting purposes.

Basic Autopac Rates

Under *The Crown Corporations Governance and Accountability Act*, MPI is required to submit Basic insurance rates to the Public Utilities Board for approval. The Corporation generally files its rate application in June of each year for rates effective at the beginning of the following fiscal year.

On January 11, 2023, the Public Utilities Board ordered an overall 3.8 per cent rate decrease and the removal of any capital release for the 2023/24 insurance year. This 3.8 per cent decrease consists of a 2.1 per cent decrease due to the change in the Driver Safety Rating Scale, plus an additional anticipated decrease of 0.4 per cent due to movement on the Driver Safety Rating Scale, plus a 1.3 per cent decrease to vehicle premiums.

2022/23

Annual Financial Statements

For the fiscal year ending
March 31, 2023

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards. The financial statements necessarily include amounts that are based on careful assessment of data available through Manitoba Public Insurance Corporation's (the Corporation) information systems and management. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit and Finance Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the Corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and their fee arrangements to the Board of Directors. The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the Appointed Actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the Corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the Appointed Actuary's opinion.

PricewaterhouseCoopers LLP, the Corporation's appointed external auditor, have audited the financial statements. Their Independent Auditor's Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the Corporation in accordance with International Financial Reporting Standards.

Marnie Kacher
INTERIM PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Ryan Kolaski, CPA, CA
VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

June 22, 2023

Actuary's Report

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statement of financial position at 31 March 2023 and their changes in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Cosimo Pantaleo, FCIA
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Ernst & Young LLP
Toronto, Ontario
June 22, 2023

Independent Auditor's Report

Independent auditor's report

To the Board of Directors of Manitoba Public Insurance Corporation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Public Insurance Corporation (the Corporation) as at March 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2023;
- the statement of operations for the year then ended;
- the statement of comprehensive income (loss) for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Charted Professional Accountants
Winnipeg, Manitoba
June 22, 2023

Financial Statements

Statement of Financial Position

(in thousands of Canadian dollars)	Notes	March 31, 2023	March 31, 2022
Assets			
Cash and cash equivalents	*4*	**142,343**	197,056
Accounts receivable	*31*	**512,004**	485,964
Prepaid expenses		**3,994**	4,488
Investments	*4*	**3,404,926**	3,367,927
Investment property	*4 & 5*	**13,401**	13,758
Due from other insurance companies	*6*	**34**	14
Reinsurers' share of unearned premiums	*12 & 17*	**791**	393
Reinsurers' share of unpaid claims	*17 & 18*	**28,716**	25,606
Deferred policy acquisition costs	*7*	**68,427**	64,711
Property and equipment	*8*	**163,055**	145,498
Deferred development costs	*9*	**108,613**	79,889
		4,446,304	4,385,304
Liabilities			
Accounts payable and accrued liabilities	*10*	**104,809**	107,239
Due to other insurance companies	*11*	**413**	419
Unearned premiums and fees	*12*	**751,949**	703,444
Lease obligation	*13*	**6,973**	6,979
Provision for employee current benefits	*15*	**26,673**	25,773
Provision for employee future benefits	*16*	**443,375**	474,849
Provision for unpaid claims	*17 & 18*	**2,364,664**	2,302,173
		3,698,856	3,620,876
Equity			
Retained earnings	*20*	**665,302**	661,096
Accumulated other comprehensive income	*21*	**82,146**	103,332
		747,448	764,428
		4,446,304	4,385,304

Contingent Liabilities (Note 34)

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

Approved by the Board of Directors:

Ward Keith
CHAIRPERSON OF THE BOARD

Kevin Klippenstein, FCPA, FCA
CHAIR, AUDIT AND FINANCE COMMITTEE

Statement of Operations

For the years ended March 31 (in thousands of Canadian dollars)	Notes	2023	2022
Earned Revenues			
Gross premiums written		**1,502,342**	1,422,583
Premiums ceded to reinsurers		**(24,022)**	(21,946)
Net premiums written		**1,478,320**	1,400,637
Decrease (increase) in gross unearned premiums		**(40,743)**	20,392
Increase (decrease) in reinsurers' share of unearned premiums		**398**	(251)
Net premiums earned		**1,437,975**	1,420,778
Service fees and other revenue	*22 & 23*	**41,523**	37,139
The Drivers and Vehicles Act operations recovery	*22 & 24*	**40,250**	30,250
Total Earned Revenues		**1,519,748**	1,488,167
Claims Costs			
Direct claims incurred—gross		**1,046,624**	902,260
Claims recovered ceded to reinsurers		**(7,327)**	(19,034)
Net claims incurred		**1,039,297**	883,226
Claims expense	*25*	**174,722**	166,547
Loss prevention/Road safety	*25*	**12,221**	11,917
Total Claims Costs		**1,226,240**	1,061,690
Expenses			
Operating	*25*	**166,646**	144,312
Commissions	*25*	**99,406**	95,393
Premiums taxes	*25*	**43,847**	38,593
Regulatory/Appeal	*25*	**4,769**	4,563
Total Expenses		**314,668**	282,861
Underwriting income (loss)		**(21,160)**	143,616
Investment income (loss)	*4*	**25,219**	(45,406)
Gain on disposal of property and equipment		**147**	136
Net income attributable to Owner of the Corporation before rebate to policyholders		**4,206**	98,346
Rebate to policyholders	*26*	**-**	(156,534)
Net income (loss) attributable to Owner of the Corporation after rebate to policyholders	*27*	**4,206**	(58,188)

Statement of Comprehensive Income (Loss)

For the years ended March 31 (in thousands of Canadian dollars)	Notes	2023	2022
Net income (loss) attributable to Owner of the Corporation after rebate to policyholders	*27*	**4,206**	(58,188)
Other Comprehensive Income (Loss)	*16 & 21*		
Items that will not be reclassified to income			
Remeasurement of employee future benefits		**49,422**	54,328
Items that will be reclassified to income			
Net unrealized gains (loss) on available for sale assets		**(20,427)**	30,577
Reclassification of net realized (gains) losses related to available for sale assets		**(50,181)**	15,673
Net unrealized gain (loss) on Available for Sale assets		**(70,608)**	46,250
Other comprehensive income (loss) for the year		**(21,186)**	100,578
Total comprehensive income (loss) attributable to Owner of the Corporation		**(16,980)**	42,390

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Equity
Balance as at April 1, 2021	719,284	2,754	722,038
Net loss attributable to Owner of the Corporation after rebate to policyholders	(58,188)	-	(58,188)
Other comprehensive income for the period	-	100,578	100,578
Balance as at March 31, 2022	**661,096**	**103,332**	**764,428**
Net income attributable to Owner of the Corporation for the year	**4,206**	**-**	**4,206**
Other comprehensive loss for the year	**-**	**(21,186)**	**(21,186)**
Balance as at March 31, 2023	**665,302**	**82,146**	**747,448**

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

Statement of Cash Flows

For the years ended March 31 (in thousands of Canadian dollars)	Notes	2023	2022
Cash Flows from (to) Operating Activities:			
Net income (loss) attributable to Owner of the Corporation after rebate to policyholders		**4,206**	(58,188)
Non-cash items:			
Depreciation of property and equipment, and investment property		**6,085**	6,327
Amortization of deferred development costs		**7,990**	13,226
Amortization of bond discount and premium		**4,792**	7,181
Gain on sale of investments		**(13,360)**	(9,793)
Unrealized loss on fair value through profit or loss bonds		**44,630**	129,416
Unrealized gain on pooled real estate fund		**(4,803)**	(23,129)
Unrealized (gain) loss on infrastructure investments		**9,493**	(171)
Unrealized loss on private debt		**1,284**	2,921
Gain on disposal of property and equipment		**(147)**	(136)
Impairment of available for sale investments		**26,083**	29,172
Impairment of deferred development costs		**1,242**	264
		87,495	97,090
Net change in non-cash balances:			
Accounts receivable and prepaid expenses		**(25,546)**	20,514
Due from other insurance companies		**(20)**	112
Reinsurers' share of unearned premiums and unpaid claims		**(3,508)**	(18,596)
Deferred policy acquisition costs		**(3,716)**	(125)
Accounts payable and accrued liabilities		**(2,430)**	(130,757)
Due to other insurance companies		**(6)**	(302)
Unearned premiums and fees		**48,505**	(23,735)
Provision for employee current benefits		**900**	399
Provision for employee future benefits		**17,948**	14,640
Provision for unpaid claims		**62,491**	120,495
		94,618	(17,355)
		182,113	79,735
Cash Flows from (to) Investment Activities:			
Purchase of investments		**(1,502,367)**	(931,738)
Proceeds from sale of investments		**1,326,641**	923,483
Acquisition of property and equipment net of proceeds from disposals		**(23,138)**	(9,003)
Lease obligation		**(6)**	(48)
Deferred development costs		**(37,956)**	(47,496)
		(236,826)	(64,802)
Increase in cash and cash equivalents		**(54,713)**	14,933
Cash and cash equivalents beginning of year		**197,056**	182,123
Cash and cash equivalents end of year	4	**142,343**	197,056

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

Notes to Financial Statements

March 31, 2023

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on June 22, 2023.

Basis of Presentation

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

The following balances are generally classified as current: cash and cash equivalents, investments, due to/from other insurance companies, accounts receivable, prepaid expenses, deferred policy acquisition costs, reinsurers' share of unearned premiums and unpaid claims, accounts payable and accrued liabilities, unearned premiums and fees and provision for employee current benefits.

The following balances are generally considered as non-current: investment property, property and equipment (including right-of-use assets), deferred development costs, lease obligations, provision for employee future benefits and provision for unpaid claims.

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

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, employee future benefits and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments and employee future benefits are detailed in Note 3. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice.

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.

Emergency measures enacted by the federal and provincial governments in response to the COVID–19 pandemic, including physical distancing, travel restrictions, and the temporary closure of non-essential businesses, have created significant additional estimation uncertainty in the determination of reported amounts as at March 31, 2023. The Corporation has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of reported amounts as at March 31, 2023. As a result of this significant estimation uncertainty there is a risk that the assumptions used as at March 31, 2023, may change as more information becomes available, resulting in a material adjustment to reported amounts in future reporting periods.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the Corporation that have a significant effect on the financial statements.

Adoption of New and Amended Accounting Standards

Effective April 1, 2022, the Corporation adopted the following new and amended accounting standards:

IAS 37—Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued an amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which clarifies which costs a Corporation should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments have no impact on the Corporation's financial statements.

2018-2020 Annual Improvement Cycle

Annual Improvements 2018-2020 Cycle was issued in May 2020 by the IASB and included minor amendments to IFRS 9, *Financial Instruments*, and IFRS 16, *Leases*. The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments have no impact on the Corporation's financial statements.

Investments

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

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

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

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

The Corporation accounts for the purchase and sale of securities using settlement date accounting.

i. **AFS Financial Assets**
AFS financial assets are initially measured at fair value on the Statement of Financial Position starting on the settlement date. Subsequent to initial recognition, AFS assets are carried at fair value with changes in fair value recorded in Other

Comprehensive Income (OCI) until the asset is disposed of or has become impaired. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income (loss) to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the amount of the initial impairment recognized.

In respect of AFS equity securities, impairment losses previously recognized in net income (loss) are not reversed through net income (loss). Any increase in fair value subsequent to an impairment loss is recognized in OCI. As long as an AFS equity asset is held and not impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become impaired, the gain or loss is recognized in the Statement of Operations and is deducted from OCI.

Transaction costs related to AFS financial assets are capitalized on initial recognition.

ii. HTM Financial Assets

HTM financial assets are carried at amortized cost on the Statement of Financial Position starting on the settlement date.

Transaction costs related to financial assets and liabilities classified as HTM are capitalized on initial recognition, when applicable.

iii. FVTPL Financial Assets

FVTPL financial assets are carried at fair value on the Statement of Financial Position starting on the settlement date and the changes in fair value are recorded in the Statement of Operations.

The fair values of FVTPL bonds including federal, provincial, certain municipal, certain hospitals, other provinces and corporations are estimated based on bid prices where there is a market price available or on inputs other than quoted market prices of these or similar investments.

Transaction costs related to FVTPL financial assets are recognized in the Statement of Operations on initial recognition.

Loans and Receivables

Accounts receivable and due from other insurance companies are designated as loans and receivables and are carried at amortized cost using the effective interest method. These receivables include financing plans for customers using interest rates set at the prime rate of the Corporation’s principal banker plus 2.0 per cent and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash, current operating accounts, provincial short-term deposits (less than 90 days at the time of purchase) and funds held in trust on behalf of other insurance companies.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

When an AFS asset is considered to be impaired, cumulative gains or losses previously recognized in OCI are reclassified to net income (loss) in the period. Subsequent declines in value continue to be recorded through net income (loss).

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income (loss) to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in net income (loss) are not reversed through net income (loss). Any increase in fair value subsequent to an impairment loss is recognized in OCI.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- It is becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Derecognition of Financial Assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

All financial liabilities are designated as other financial liabilities and are recorded in the Statement of Financial Position at amortized cost. Financial liabilities include due to other insurance companies and accounts payable and accrued liabilities, which are all current liabilities.

The carrying value of the Corporation's financial liabilities approximate their fair value.

Derivatives

The Corporation uses currency swaps to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income," on a fair-value basis.

A currency swap is a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Fair Value Determination

The fair values of financial instruments are obtained from external pricing services and are based on available bid prices for Level 1 financial assets. Level 2 and Level 3 fair value determinations are based on availability of inputs other than bid prices as there is not a quoted market price.

Deferred Policy Acquisition Costs

To the extent premium acquisition costs such as commissions and premium taxes are recoverable from unearned premiums, they are deferred and amortized to income over the term of the related policies.

Property and Equipment

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

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

Land & Buildings

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

Furniture & Equipment

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

Buildings held under a long-term lease arrangement are depreciated on a straight-line basis over 40 years. Leasehold improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period.

Tenant improvements are carried at cost and are depreciated over the term of the lease plus the first renewal period.

Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed and the property is deemed available for use.

Land is not subject to depreciation and is carried at cost.

Investment Property

In the determination of what constitutes investment property relative to property and equipment the Corporation considers only property that is 100 per cent utilized as investment property to be classified as investment property.

The Corporation's investment property, which is property held 100 per cent to earn rentals and/or capital appreciation, is measured initially at its cost, including transaction costs. The Corporation has elected to use the cost model to subsequently value its investment property. Therefore, the investment property's carrying amount is valued at cost less accumulated depreciation and impairment losses. Depreciation is based on the useful life of each component of the investment property along with the property's residual value.

The fair value of the investment property is disclosed based on an external valuation that occurs, at a minimum, every other year. The fair value disclosed is based on the most recent valuation which was conducted for March 31, 2022.

The Corporation assesses its investment property for impairment on an annual basis in accordance with the impairment test guidance set forth in IAS 36, *Impairment of Assets*. Based on this assessment it was determined the investment property was not impaired as at March 31, 2023.

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

• parkade	40 years
• surface parking lot	held at cost

Deferred Development Costs (Intangible Assets)

The costs of developing major information systems that are expected to provide an economic benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and accumulated impairment losses and are amortized on a straight-line basis over five years unless the useful life is deemed to be longer, but in no case shall the useful life exceed 10 years, starting the month after the asset becomes available for use.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred, including directly assigned employee costs, from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are recognized in net income (loss) in the period in which they are incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

Impairment of Tangible and Intangible Assets (Other Than Financial Assets)

When specific events or circumstances arise, the Corporation reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Leasing

Manitoba Public Insurance as a Lessee

The Corporation, as a lessee, recognizes a right-of-use asset and a lease liability at the lease's commencement date. The right-of-use asset is initially measured at cost which is comprised of the amount of the initial lease liability and any lease payments made at or before the commencement date less any lease incentives received, initial direct costs and restoration costs. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term plus renewal options expected to be exercised on a straight-line basis.

The lease liability arising from the lease is originally measured on a present-value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonable certain to exercise that option, and payment of penalties for terminating a lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

Manitoba Public Insurance as a Lessor

Manitoba Public Insurance leases retail, office and parking space in buildings and parking facilities owned by Manitoba Public Insurance. The lease payments are recognized as on a straight-line basis over the lease term through net income (loss), except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Revenue

Premiums

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

Unearned Premiums

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

Interest Revenue

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

Investment Income

Investment income is recorded as it accrues. Dividend income from investments is recognized when the Corporation's rights to receive payments is established. Dividend income on common and preferred shares is recorded on the ex-dividend date. Distributions on pooled funds are recorded on the income distribution date. Gains and losses are determined and recorded as at the settlement date and are calculated on the basis of average cost. The effective interest rate method is used to amortize premiums or discounts on the purchase of bonds.

Realized Gains and Losses

The realized gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortized cost as appropriate.

The realized gain or loss on disposal of property and equipment is the difference between the proceeds received, net of transaction costs, and its original cost or depreciated cost as appropriate.

Unrealized Gains and Losses

Unrealized gains or losses represent the difference between the carrying value at the period-end and the carrying value at the previous period-end or purchase value during the period, less the reversal of previously recognized unrealized gains or losses in respect of disposals during the period.

Service Fees and Other Revenue

Other revenue is comprised of the Corporation's administration of *The Drivers and Vehicles Act* operations for the Province of Manitoba, salvage sales, rental income and transaction fees related to the administration of policies, products and services.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for Employee Current Benefits

The provision for employee current benefits includes accruals for vacation pay and sick pay determined in accordance with the Collective Agreement and Corporate policy.

Provision for Employee Future Benefits

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

i. **Pension Benefit Plan**

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

The Corporation has its pension benefit plan valued annually at the pension plan year-end date, the most recent of which is December 31, 2022. Additionally, the Corporation has its pension benefit plan revalued at the Corporation fiscal year end of March 31, 2023.

ii. **Other Benefit Plans**

Other benefit plans consist of two post-retirement extended health plans and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs. Changes in experience gains and losses are recognized in the current period. Current service costs and interest costs are recognized in net income (loss) in the current period. Actuarial gains and losses are recognized in OCI in the current period.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporate policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

Provision for Unpaid Claims

IFRS 4, *Insurance Contracts* permits the continued use of insurance liability valuation methods previously used under pre-IFRS Canadian GAAP. The Corporation establishes reserves for payment of claims and adjustment expenses that arise from the Corporation's insurance products. The reserve balance represents the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. There are two categories of loss reserves: (1) reserves for reported losses and (2) reserves for incurred but not yet reported (IBNR) losses. In addition, reserves are set up for internal loss adjustment expenses, which include estimated internal costs and other expenses that are expected to be incurred to finalize the settlement of the losses. The Corporation discounts its liabilities for unpaid claims and includes a provision for adverse deviations. Liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the Corporation and statistical analyses for the claims incurred but not reported. Claims and adjustment expenses are charged to the Statement of Operations as incurred.

All of the Corporation's insurance policies meet the definition of an insurance contract and have been accounted for in accordance with IFRS 4.

Reinsurers' share of unpaid claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant reinsurance contracts.

Liability Adequacy Test

At each reporting period, insurance liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related Deferred Policy Acquisition Costs (DPAC) and Reinsurers' Share of Unpaid Claims. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. A premium deficiency exists when estimated future claims and related expenses exceed unearned premiums. Any resulting deficiency is recognized first by writing down the DPAC with any remainder recognized as a premium deficiency in unpaid claims.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claims costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Structured Settlements

In the normal course of tort claims adjudication, the Corporation settles certain long-term claims losses through the purchase of annuities under structured settlement arrangements with life insurance companies. As the Corporation does not retain any interest in the related insurance contract and obtains a legal release from the claimant, any gain or loss on the purchase of the annuity is recognized in the Statement of Operations at the date of purchase and the related claims liabilities are derecognized. While the Corporation remains exposed to the credit risk that the life insurance companies may fail to fulfill their obligations, management believes this risk to be remote.

Allocation of Revenue, Claims Incurred and Expenses

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

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

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

Investment income is allocated to the automobile insurance division lines of business, *The Drivers and Vehicles Act* operations and the discontinued general insurance division based on a direct attribution of each segments unique portfolio returns and a pro-rata share of the portfolio backing the corporate employee future benefits obligation.

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

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

Reinsurance Ceded

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

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

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains or losses arising on translation are charged to operations in the current year.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in OCI and included in accumulated other comprehensive income (AOCI) until recognized in the Statement of Operations.

Comprehensive Income

Comprehensive income consists of net income (loss) attributable to Owner of the Corporation and other comprehensive income (loss). Changes in unrealized gains and losses on financial assets classified as AFS are recorded in OCI and included in AOCI until recognized in the Statement of Operations. Actuarial gains and losses on employee future benefits amounts are recorded in OCI and included in AOCI. AOCI is included on the Statement of Financial Position as a separate component.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the preparation of the Corporation's financial statements, management has made a number of critical accounting estimates and judgments as described below, and in certain notes to the financial statements, such as: determination of fair value for financial instruments in Note 4 and carrying value of deferred development costs in Note 9. Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

Allowance for Doubtful Accounts

The Corporation must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management must make critical and significant estimates on the allowance for estimated losses arising from non-payment of accounts receivable.

Deferred Development Costs (Intangible Assets)

Deferred development costs represent a significant portion of ongoing expenditures related to information systems development. Determining the recoverability of deferred development costs requires an estimation of the recoverable amount of the asset. Key assumptions and sources of estimation uncertainty include the determination of future cash flows expected to arise from the asset and a suitable discount rate in order to calculate present value.

Provision for Unpaid Claims

With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the insurance contract liabilities and to provide an opinion to the Corporation's Board of Directors regarding their appropriateness at the reporting date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations.

Provisions for unpaid claims and adjustment expenses are valued based on Canadian accepted actuarial practice, which are designed to ensure the Corporation establishes an appropriate reserve on the Statement of Financial Position to cover insured losses with respect to the reported and unreported claims incurred as of the end of each accounting period. The insurance contract liabilities include a provision for unpaid claims and adjustment expenses on the expired portion of policies and of future obligations on the unexpired portion of policies. In performing the valuation of the liabilities for these contingent future events, the Appointed Actuary makes assumptions as to future loss ratios, trends, reinsurance recoveries, investment rates of return, expenses and other contingencies, taking into consideration the circumstances of the Corporation and the nature of the insurance policies.

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by the Corporation on an ongoing basis to reflect recent and emerging trends in experience. Sensitivity of these assumptions and the impact on net insurance contract liabilities and equity are fully disclosed in Note 18.

Provision for Employee Current Benefits

The Corporation has a sick leave plan included in the employee current benefits. The determination of expenses and liabilities associated with the sick leave plan requires the use of critical assumptions such as discount rates and expected sick leave. Due to the nature of the estimates used, there is inherent measurement uncertainty within the employee current benefit assumptions.

Provision for Employee Future Benefits

The Corporation has a defined benefit pension plan, severance benefit plan and post-retirement extended health benefit plans. The determination of expenses and liabilities associated with employee future benefits requires the use of critical assumptions such as discount rates, expected mortality rate, inflation rates, expected salary increases and expected health care cost increases. Due to the nature of the estimates used in the valuation process there is inherent measurement uncertainty within the employee future benefit assumptions. See Note 16 for further details of the significant estimates and changes impacting the current period financial statements.

Fair Value of Level 3 Investments

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. See Note 4 for further details of valuation methods and assumptions.

Future Changes in Accounting Policy and Disclosure

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for annual reporting periods beginning on or after January 1, 2023. The standards that may have an impact to the Corporation are:

IFRS 7—Financial Instruments: Disclosures

In December 2011, IFRS 7 *Financial Instruments: Disclosures* was amended to require additional financial instrument disclosures upon transition from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9 *Financial Instruments*. The amendments are effective upon adoption of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018. However, in September 2016, IFRS 4 *Insurance Contracts* was amended to provide an option of a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing insurance contracts within the scope of IFRS 4. Therefore, qualifying entities will have the option to adopt IFRS 9 upon the adoption of IFRS 17 *Insurance Contracts*. The Corporation qualifies for a temporary exemption; thus, IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2023. The Corporation qualified for the temporary exemption and will apply IFRS 7 for the period beginning April 1, 2023.

IFRS 9—Financial Instruments

IFRS 9 was issued in July 2014 and is intended to replace IAS 39 *Financial Instrument: Recognition and Measurement*. IFRS 9 is a three-part standard aimed at reducing complexity in reporting financial instruments. The project has been divided into three phases: Phase 1 – Classification and Measurement, Phase 2 – Impairment and Phase 3 – Hedge Accounting. Phase 1 was issued in November 2009 and amended in October 2010. It requires financial assets to be recorded at amortized cost or fair value depending on the entity's business model for managing the assets and their associated cash flow characteristics. All financial assets are to be measured at fair value on the balance sheet if they are not measured at amortized cost. At initial recognition, an entity may irrevocably designate a financial asset as measured at FVTPL or fair value through other comprehensive income (FVOCI) if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases.

Phase 2 was completed in July 2014 and introduced a new Expected Credit Loss (ECL) impairment methodology that requires credit losses to be measured on each reporting date according to a three-stage model:

Stage 1: From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the next 12 months.

Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

Stage 3: When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses will be recognized. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Stage 1 and Stage 2 credit loss allowances effectively replace the collectively-assessed allowance for loans not yet identified as impaired recorded under IAS 39, while Stage 3 credit loss allowances effectively replace the individually and collectively assessed allowances for impaired loans.

Phase 3 was completed in November 2013 and replaces the rule-based hedge accounting requirements in IAS 39 to more closely align the accounting with risk management activities.

IFRS 9 was effective for annual reporting periods beginning on or after January 1, 2018. However, in September 2016, IFRS 4 was amended to provide an option of a temporary exemption from applying IFRS for entities whose predominant activity is issuing insurance contracts within the scope of IFRS 4. Therefore, qualifying entities have the option to adopt IFRS 9 upon the adoption of IFRS 17. The Corporation qualifies for temporary exemption; thus, IFRS 9 is effective for annual periods beginning on or after January 1, 2023.

IFRS 9 does not require restatement of comparative periods when initially applied. The Corporation will apply IFRS 9 prospectively from April 1, 2023 and comparative information will not be restated. Changes in measurement of financial instruments arising from initial application of IFRS 9 will be recognized as adjustments to equity as at April 1, 2023.

The following summarizes classifications and accounting policies the Corporation expects to apply under IFRS 9:

Effective April 1, 2023, the Corporation's initial date of application of IFRS 9, financial instruments held by the Corporation will be classified and measured in accordance with IFRS 9. Financial instruments currently classified as AFS or HTM under IAS 39 will be classified as FVTPL upon application of IFRS 9. The unrealized gains or unrealized losses reported within AOCI for these financial instruments will be reclassified to equity at April 1, 2023, with subsequent changes in fair values reported in net income (loss).

The expected credit loss (ECL) model set out in IFRS 9 is not expected to have a material impact to the Corporation due to the composition of high-quality investment grade assets held. In addition, the Corporation does not have any hedge accounting elections in place and does not expect to have hedge accounting implications at the adoption date April 1, 2023.

IFRS 17—Insurance Contracts

IFRS 17 *Insurance Contracts* was issued in May 2017 and will replace IFRS 4 *Insurance Contracts*. The intent of the standard is to establish consistent recognition, measurement, presentation and disclosure principles to provide relevant and comparable reporting of insurance contracts across jurisdictions.

The standard requires entities to measure insurance contract liabilities as the risk-adjusted present value of the cash flows plus the contractual service margin, which represents the unearned profit the entity will recognize as future service is provided. This is referred to as the general model. Expedients are specified, provided the insurance contracts meet certain conditions. If, at initial recognition or subsequently, the contractual service margin becomes negative, the contract is considered onerous, and the excess is recognized immediately in the Statement of Operations. The standard also includes significant changes to the presentation and disclosure of insurance contracts within entities' financial statements.

In March 2020, the IASB voted in favour of deferring the effective date of IFRS 17 from annual reporting periods beginning on or after January 1, 2022 to January 1, 2023. The standard is to be applied retrospectively unless impracticable, in which case a modified retrospective approach or fair value approach is to be used for transition.

The following summarizes accounting policies and elections the Corporation expects to apply under IFRS 17:

Measurement

IFRS 17 introduces three approaches for measuring insurance contracts: the premium allocation approach, the variable fee approach, and the general model approach. The Corporation expects to measure insurance contracts it issues and reinsurance contracts it holds that have a service period of one year or less, using the simplified Premium Allocation Approach ("PAA").

Under IFRS 17, the insurance contract liability is comprised of a liability for remaining coverage ("LRC") relating to future service and a liability for incurred claims ("LIC") relating to past service. Under the PAA, insurance revenue is recognized in the statement of operations as services are rendered, and insurance expenses are recognized when they are incurred.

IFRS 17 provides some choices in applying the PAA. The Corporation has selected the following choices:

- Recognize insurance acquisition cash flows as expense when incurred rather than deferring and amortizing these charges. Under this election, the balance of deferred acquisition costs reported at April 1, 2022 will be written down and charged against equity;
- Not adjust the LRC for the time value of money and the effect of financial risk for groups of contracts measured under the PAA, because the policies have a coverage period of one year or less; and
- Electing to not adjust the Liability for Incurred Claims ("LIC") for the time value of money and the effect of financial risk for contracts measured under the PAA when the cash flows are expected to be settled within one year or less from the date the claim is incurred.

The Corporation will apply the same accounting policies in measuring groups of reinsurance contracts held and measured under PAA, with necessary adaptations to reflect the characteristics of reinsurance contracts held.

Discount rate

Unless provided for under an election offered within the PAA, IFRS 17 requires estimated cash flows to be adjusted to reflect the time value of money and financial risk associated with the attributes and duration of the contracts within a Portfolio. The Corporation will discount expected cash flows for insurance liabilities that extend beyond one year from the date of claim. Discount yield curves have been developed using a top-down approach and yield curves from a reference portfolio. The Corporation estimates a positive impact on equity at transition from the change in discount rate applied under IFRS 17.

Risk Adjustment

Measurement of insurance contract liabilities under IFRS 17 includes a risk adjustment to reflect the compensation required for bearing the uncertainty arising from non-financial risk factors. Under IFRS 4, the risk margin reflects the inherent uncertainty in the estimated net discounted claim liabilities estimates. The application of the risk adjustment within the measurement under IFRS 17 is expected to yield a favorable impact over the measurement of the insurance liabilities with risk margin reported under IFRS 4.

Upon transition to IFRS 17 on April 1, 2022, the Corporation expects a positive impact to equity arising from measuring insurance contract liabilities in accordance with IFRS 17, offset against a negative impact from eliminating the deferred policy acquisition costs asset. The Corporation continues to assess the impact of adopting IFRS 17 on its financial statements at March 31, 2023.

4. Cash, Cash Equivalents and Investments

Cash and cash equivalents are comprised of cash, current operating accounts, provincial short-term deposits (less than 90 days at the time of purchase) and funds held in trust on behalf of other insurance companies.

Cash equivalent investments have a total principal amount of $88.4 million (March 31, 2022—$121.4 million) comprised of provincial short-term deposits with effective interest rates of 3.84 per cent to 4.41 per cent (March 31, 2022—0.316 per cent to 0.32 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 $10.0 million (March 31, 2022—$10.0 million). The unsecured operating line of credit remained unutilized at March 31, 2022 (March 31, 2022—nil).

Cash, Cash Equivalents and Investments

As at March 31, 2023 (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	142,343	-	-	-	142,343
Bonds					
Federal	-	-	119,085	-	119,085
Manitoba:					
Provincial	12,845	-	99,021	-	111,866
Municipal	-	82,651	28,181	-	110,832
Schools	-	366,065	-	-	366,065
Other provinces:					
Provincial	39,371	-	1,081,992	-	1,121,363
Municipal	-	-	50,674	-	50,674
Corporations	85,424	-	520,401	-	605,825
	137,640	448,716	1,899,354	-	2,485,710
Private debt	192,078	-	58,890	-	250,968
Other investments	121	-	-	-	121
Infrastructure	-	-	162,112	-	162,112
Equity investments	313,087	-	-	-	313,087
Pooled real-estate fund	-	-	192,928	-	192,928
Investments	642,926	448,716	2,313,284	-	3,404,926
Investment property	-	-	-	13,401	13,401
Total	785,269	448,716	2,313,284	13,401	3,560,670

As at March 31, 2022 (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	197,056	-	-	-	197,056
Bonds					
Federal	-	-	44,186	-	44,186
Manitoba:					
Provincial	13,199	-	103,874	-	117,073
Municipal	-	55,103	31,934	-	87,037
Schools	-	412,868	-	-	412,868
Other provinces:					
Provincial	55,685	-	835,588	-	891,273
Municipal	-	-	55,044	-	55,044
Corporations	148,517	-	495,725	-	644,242
	217,401	467,971	1,566,351	-	2,251,723
Private debt	190,647	-	46,932	-	237,579
Other investments	287	-	-	-	287
Infrastructure	-	-	114,580	-	114,580
Equity investments	581,870	-	-	-	581,870
Pooled real-estate fund	-	-	181,888	-	181,888
Investments	990,205	467,971	1,909,751	-	3,367,927
Investment property	-	-	-	13,758	13,758
Total	1,187,261	467,971	1,909,751	13,758	3,578,741

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

As at March 31, 2023 (in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/Losses**	**Fair Value**
Equity investments			
With unrealized gains	**240,905**	**72,182**	**313,087**
Subtotal—equity investments	**240,905**	**72,182**	**313,087**
Bonds			
With unrealized gains	**89,791**	**51**	**89,842**
With unrealized losses	**51,296**	**(3,498)**	**47,798**
Subtotal—bonds	**141,087**	**(3,447)**	**137,640**
Private debt			
With unrealized losses	**192,078**	**-**	**192,078**
Subtotal—private debt	**192,078**	**-**	**192,078**
Debt investments			
With unrealized losses	**121**	**-**	**121**
Subtotal—other investments	**121**	**-**	**121**
Total AFS equity and debt investments	**574,191**	**68,735**	**642,926**

As at March 31, 2022 (in thousands of Canadian dollars)	Book Value	Unrealized Gains/Losses	Fair Value
Equity investments			
With unrealized gains	426,980	154,890	581,870
Subtotal—equity investments	426,980	154,890	581,870
Bonds			
With unrealized losses	224,253	(6,852)	217,401
Subtotal—bonds	224,253	(6,852)	217,401
Private debt			
With unrealized losses	199,314	(8,667)	190,647
Subtotal—private debt	199,314	(8,667)	190,647
Debt investments			
With unrealized losses	314	(27)	287
Subtotal—other investments	314	(27)	287
Total AFS equity and debt investments	850,861	139,344	990,205

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

Transfers between fair value hierarchy levels are considered effective from the beginning of the annual reporting period in which the transfer is identified.

Valuation techniques used by the Corporation's independent pricing service providers and third-party broker-dealers include use of prices from similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The Corporation assess the reasonableness of pricing received from these third-party sources by comparing the fair values received to recent transaction prices for similar assets where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing model (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and risk-free rate).

Detailed valuations are prepared for those financial instruments that are priced internally, while external pricing received from independent pricing service providers and third-party broker-dealers are evaluated by the Corporation for reasonableness. The Corporation's Chief Actuary and Chief Financial Officer oversee the valuation function and regularly review the valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the Corporation's Investment Committee and Audit, Finance & Risk Committee.

No investments were transferred between levels in the year ended March 31, 2023. In the year ended March 31, 2022, there was one investment transferred between levels. This is the pooled real-estate fund which transferred from level 2 to level 3 as this is a private equity investment in real estate with properties independently valued by third-party appraisal firms using valuation models.

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 March 31, 2023 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**95,152**	**1,790,628**	**13,574**
Private debt	**-**	**58,890**	**-**
Infrastructure	**85,200**	**-**	**76,912**
Pooled real-estate fund	**-**	**-**	**192,928**
Total FVTPL financial assets	**180,352**	**1,849,518**	**283,414**
AFS financial assets			
Cash and cash equivalents	**142,343**	**-**	**-**
Bonds	**-**	**137,640**	**-**
Private debt	**-**	**113,576**	**78,502**
Other investments	**-**	**-**	**121**
Equity investments	**4,434**	**308,653**	**-**
Total AFS financial assets	**146,777**	**559,869**	**78,623**
Total assets measured at fair value	**327,129**	**2,409,387**	**362,037**

As at March 31, 2022 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	17,279	1,535,179	13,893
Private debt	-	46,932	-
Infrastructure	-	-	114,580
Pooled real-estate fund	-	-	181,888
Total FVTPL financial assets	17,279	1,582,111	310,361
AFS financial assets			
Cash and cash equivalents	197,056	-	-
Bonds	-	217,401	-
Private debt	-	108,615	82,032
Other investments	-	-	287
Equity investments	11,523	570,347	-
Total AFS financial assets	208,579	896,363	82,319
Total assets measured at fair value	225,858	2,478,474	392,680

The following table presents the fair-value measurement of instruments included in Level 3.

	FVTPL		**AFS**	
(in thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Balance, beginning of the year	**310,361**	127,872	**82,319**	87,325
Realized gains/(losses)				
Included in net income	**4,764**	-	**-**	-
Unrealized gains/(losses)				
Included in net income	**(7,313)**	22,654	**-**	-
Included in OCI	**-**	-	**-**	5,898
Impairment of AFS investments included in net income	**-**	-	**(5,944)**	(13,864)
Transfer from Level 2	**-**	123,861	**-**	-
Purchases	**6,237**	35,974	**2,248**	2,960
Sales	**(30,635)**	-	**-**	-
Balance, end of the year	**283,414**	310,361	**78,623**	82,319

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value. The HTM bonds would be considered Level 3 investments. As of March 31, 2023, the fair value of municipal, utilities, schools and hospital bonds held to maturity is $448.7 million (March 31, 2022—$468.0 million).

Impairment

Impairment losses were based on management's best estimate of whether objective evidence of impairment exists, using available market data and other observable data. For 2022/23 and 2021/22, impaired investments included in the Corporation's portfolio include the following:

As at March 31, 2023 (in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Bonds	**94,002**	**(8,583)**	**85,419**
Private debt	**209,385**	**(17,307)**	**192,078**
Other investments	**314**	**(193)**	**121**
Total	**303,701**	**(26,083)**	**277,618**

As at March 31, 2022 (in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Bonds	117,763	(15,308)	102,455
Private debt	95,896	(13,864)	82,032
Total	213,659	(29,172)	184,487

Investment Income

For the years ended March 31 (in thousands of Canadian dollars)	**2023**	2022
Interest income	**83,231**	71,895
Loss on sale of FVTPL bonds	**(67,668)**	(3,964)
Gain (loss) on sale of AFS bonds	**(7,310)**	10
Unrealized loss on FVTPL bonds	**(44,630)**	(129,416)
Unrealized gain on pooled real estate fund	**4,803**	23,129
Unrealized loss on private debt	**(1,284)**	(2,921)
Dividends on infrastructure investments	**1,553**	3,032
Realized gain on infrastructure investments	**4,764**	-
Unrealized gain (loss) on infrastructure investments	**(9,493)**	171
Dividend income	**9,960**	14,336
Gain on sale of equities and other investments	**80,612**	13,747
Foreign exchange gain on sale of equities	**2,962**	-
Income from investment property	**669**	345
Impairment of AFS investments	**(26,083)**	(29,172)
Investment management fees	**(6,867)**	(6,598)
Total	**25,219**	(45,406)

Investment income is net of investment management fees paid to the Department of Finance in the amount of $6.9 million (March 31, 2022—$6.6 million). This includes $5.4 million (March 31, 2022—$5.3 million) of fees the Province paid to outside managers on the Corporation's behalf.

Temporary Deferral of IFRS 9

The Corporation has temporarily deferred the adoption of IFRS 9. The Corporation qualified for temporary deferral from IFRS 9 based on the following reasons: (1) the Corporation has not previously applied any version of IFRS 9, and (2) the Corporation's activities were predominantly connected with insurance as at December 31, 2015, and there have been no significant changes in its activities since that date. The conclusion that the Corporation's activities were predominantly connected with insurance was made on the basis that the carrying value of the Corporation's liabilities arising from insurance contracts, within the scope of IFRS 4, comprised of greater than 80 per cent of the Corporation's total liabilities and the Corporation does not engage in significant activity unconnected with insurance.

In accordance with the requirements of temporary deferral, the Corporation has disclosed the following information to allow for comparability with entities that have adopted IFRS 9.

Solely Payments of Principal and Interest

The below table categorizes the Corporation's financial assets between two groups: a) financial assets with contractual terms that give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) and b) all other financial assets.

As at March 31, 2023 (in thousands of Canadian dollars)	**Fair Value**	**Change in Fair Value During the Year**
SPPI	**2,488,697**	**(137,301)**
Other	**1,058,572**	**188,422**
Total	**3,547,269**	**51,121**

As at March 31, 2022 (in thousands of Canadian dollars)	Fair Value	Change in Fair Value During the Year
SPPI	2,196,272	(90,205)
Other	1,368,711	270,968
Total	3,564,983	180,763

Credit Risk Exposure Related to Financial Assets Categorized as SPPI

The below table describes the credit risk exposure and credit risk concentrations for financial assets categorized as SPPI.

As at March 31, 2023 (in thousands of Canadian dollars)	**Fair Value**	**Carrying Value**
Aaa	**144,116**	**144,116**
Aa	**1,003,973**	**1,003,973**
A	**1,023,819**	**1,023,819**
Baa	**228,378**	**228,378**
Not rated	**88,411**	**88,411**
Total	**2,488,697**	**2,488,697**

As at March 31, 2022 (in thousands of Canadian dollars)	Fair Value	Carrying Value
Aaa	66,580	66,580
Aa	776,631	776,631
A	961,451	961,451
Baa	270,206	270,206
Not rated	121,404	121,404
Total	2,196,272	2,196,272

5. Investment Property—Non-Financial Instruments

(in thousands of Canadian dollars)	Surface Parking Lot	Parkade	Total
Cost			
Balance at April 1, 2021	1,040	16,186	17,226
Balance at March 31, 2022	1,040	16,186	17,226
Balance at March 31, 2023	**1,040**	**16,186**	**17,226**
Accumulated Depreciation			
Balance at April 1, 2021	-	3,111	3,111
Depreciation	-	357	357
Balance at March 31, 2022	-	3,468	3,468
Depreciation	-	**357**	**357**
Balance at March 31, 2023	-	**3,825**	**3,825**
Carrying Amounts			
At March 31, 2022	1,040	12,718	13,758
At March 31, 2023	**1,040**	**12,361**	**13,401**
Fair Value at March 31, 2023*	**5,000**	**21,590**	**26,590**

*The fair value of the parkade and surface parking lots is determined using an appraisal performed by an external valuator on, at a minimum, a bi-annual basis. The last appraisal conducted was March 2022. The investment property would be classified as a Level 3 investment.

6. Due from Other Insurance Companies

(in thousands of Canadian dollars)	**2023**	2022
Balance, beginning of the year	**14**	126
Claims paid ceded to reinsurers	**4,217**	186
Less: recovery from reinsurers	**(4,197)**	(298)
Balance, end of the year	**34**	14

7. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	Premium Taxes	Commissions	Total
Balance at April 1, 2021	20,976	43,610	64,586
Deferred during the year	33,318	96,130	129,448
Expensed during the year	(33,930)	(95,393)	(129,323)
Balance at March 31, 2022	20,364	44,347	64,711
Deferred during the year	**45,073**	**101,896**	**146,969**
Expensed during the year	**(43,847)**	**(99,406)**	**(143,253)**
Balance at March 31, 2023	**21,590**	**46,837**	**68,427**

Premium deficiencies are recognized first by writing down deferred policy acquisition costs with any remainder recognized as a liability. The premium taxes are included in the premium taxes expense. Commissions are included in the commissions expense. There were no premium deficiencies booked in 2022/23 or 2021/22. Refer to Note 3 for more information.

8. Property and Equipment

(in thousands of Canadian dollars)	Land & Buildings (1)	Furniture & Equipment(2)	Right-of-Use Assets (3)	Property Under Construction(4)	Total
Cost					
Balance at April 1, 2021	178,849	32,046	16,562	1,267	228,724
Additions	4,585	621	-	3,661	8,867
Disposals	-	(832)	-	-	(832)
Transfer from property under construction	227	111	-	(338)	-
Balance at March 31, 2022	183,661	31,946	16,562	4,590	236,759
Additions	**12,127**	**5,430**	**42**	**5,686**	**23,285**
Disposals	**-**	**(2,080)**	**(25)**	**-**	**(2,105)**
Transfer from property under construction	**799**	**80**	**11**	**(890)**	**-**
Balance at March 31, 2023	**196,587**	**35,376**	**16,590**	**9,386**	**257,939**
Accumulated Depreciation					
Balance at April 1, 2021	54,344	27,655	4,124	-	86,123
Disposals	-	(832)	-	-	(832)
Depreciation	3,908	1,522	540	-	5,970
Balance at March 31, 2022	58,252	28,345	4,664	-	91,261
Disposals	**-**	**(2,080)**	**(25)**	-	**(2,105)**
Depreciation	**3,926**	**1,261**	**541**	-	**5,728**
Balance at March 31, 2023	**62,178**	**27,526**	**5,180**	-	**94,884**
Carrying Amounts					
At March 31, 2022	125,409	3,601	11,898	4,590	145,498
At March 31, 2023	**134,409**	**7,850**	**11,410**	**9,386**	**163,055**

1. Includes land, land improvements, leasehold improvements, buildings and building components: elevators, escalators, HVAC systems, roofing systems.
2. Includes furniture, equipment, computer equipment, vehicles and demountable wall systems.
3. Includes right-of-use assets land and buildings accounted for under IFRS 16 Leases. Refer to Note 13 for the corresponding lease obligations. The below right-of-use assets are included in the property and equipment table above, totaling the “Right-of-Use Assets” column (1284 Main Street—Building portion; 1284 Main Street—Land portion; Brandon—Royal Canadian Legion Branch #3 Building):

Right-Of-Use Assets (in thousands of Canadian dollars)	1284 Main Street Building	1284 Main Street Land	Brandon-Royal Canadian Legion #3	Total
Balance at March 31, 2021	14,975	1,562	25	16,562
Balance at March 31, 2022	14,975	1,562	25	16,562
Additions	**11**	-	**42**	**53**
Disposals	-	-	**(25)**	**(25)**
Balance at March 31, 2023	**14,986**	**1,562**	**42**	**16,590**

4. Includes renovations to cityplace, land improvements, HVACs and roofing.

9. Deferred Development Costs

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at April 1, 2021	237,427
Additions	47,496
Impairment	(264)
Balance at March 31, 2022	284,659
Additions	37,956
Impairment	(1,242)
Balance at March 31, 2023	**321,373**
Accumulated Depreciation	
Balance at April 1, 2021	191,544
Amortization	13,226
Balance at March 31, 2022	204,770
Amortization	7,990
Balance at March 31, 2023	**212,760**
Carrying Amounts	
At March 31, 2022	79,889
At March 31, 2023	**108,613**

Deferred development costs of $78.9 million (March 31, 2022—$47.2 million) are not yet available for use and are currently not being amortized. Impairments of $1.2 million (March 31, 2022—$0.3 million) were recognized during the year and have been recorded in claims expense, loss prevention/road safety expense and operating expense on the Statement of Operations.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**2023**	2022
Due to the Province of Manitoba	**19,708**	19,847
Payroll	**10,495**	10,181
Broker commissions	**8,380**	7,141
Provision for fleet rebates	**19,539**	21,849
International Registration Program payable to other jurisdictions	**5,264**	4,234
Premium taxes	**12,238**	11,479
Other payables and accrued liabilities	**29,185**	32,508
Balance at March 31	**104,809**	107,239

11. Due to Other Insurance Companies

(in thousands of Canadian dollars)	**2023**	2022
Balance at beginning of period	**419**	721
Change in reinsurance ceded premiums written less instalment payments	**5**	(271)
Change in amounts received as collateral for reinsurers' share of unpaid claims	**(11)**	(31)
Balance at March 31	**413**	419

12. Unearned Premiums and Fees

Unearned premiums and fees are net of prepaid premiums and unearned fees.

		March 31, 2023	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Unearned premiums			
Balance at April 1, 2022	**678,789**	**393**	**678,396**
Premiums written	**1,502,342**	**24,022**	**1,478,320**
Premiums earned	**(1,461,599)**	**(23,624)**	**(1,437,975)**
Balance at March 31, 2023	**719,532**	**791**	**718,741**
Prepaid premiums	**20,782**	**-**	**20,782**
Unearned fees	**11,635**	**-**	**11,635**
Balance at March 31, 2023	**751,949**	**791**	**751,158**

		March 31, 2022	
(in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Unearned premiums			
Balance at April 1, 2021	699,181	644	698,537
Premiums written	1,422,583	21,946	1,400,637
Premiums earned	(1,442,975)	(22,197)	(1,420,778)
Balance at March 31, 2022	678,789	393	678,396
Prepaid premiums	16,092	-	16,092
Unearned fees	8,563	-	8,563
Balance at March 31, 2022	703,444	393	703,051

13. Lease Obligation

The Corporation has elected not to recognize lease liabilities for short-term and low-value leases. Lease payments associated with such leases are expensed on a straight-line basis over the lease term. During the year ended March 31, 2023, $56 thousand was recognized as an expense for short-term and low value leases (March 31, 2022—$26 thousand).

None of the Corporation's leases are subleased and no contingent rent is payable for any lease arrangements.

The Service Centre built on land in Winnipeg at 1284 Main Street and the land on which it is built are owned by a third-party and are leased to the Corporation. The provisions of the lease include an initial term of 25 years and, at the Corporation's option, three further terms of five years each. The Corporation also recognizes the right-of-use asset for a building in Brandon, for which the Corporation has a lease agreement.

The details of the lease obligations are as follows:

(in thousands of Canadian dollars)	
Balance at April 1, 2021	7,027
Lease payments	(505)
Interest	457
Balance at March 31, 2022	6,979
Additions	**43**
Lease payments	**(506)**
Interest	**457**
Balance at March 31, 2023	**6,973**

Main Street—Building Lease

(in thousands of Canadian dollars with the exception of interest rates)	March 31, 2023	March 31, 2022
Interest rate	**6.70%**	6.70%
Interest rate expense for the year	**364**	366
Lease obligations at year end	**5,421**	5,451

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022
Not later than one year	**394**	394	**380**	380
Later than one year and not later than five years	**1,635**	1,616	**1,337**	1,320
Later than five years	**10,156**	10,569	**3,704**	3,751
Total	**12,185**	12,579	**5,421**	5,451

Main Street—Land Lease

(in thousands of Canadian dollars with the exception of interest rates)	March 31, 2023	March 31, 2022
Interest rate	**5.95%**	5.95%
Interest rate expense for the year	**91**	91
Lease obligations at year end	**1,517**	1,528

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022
Not later than one year	**102**	102	**99**	99
Later than one year and not later than five years	**423**	418	**354**	349
Later than five years	**2,629**	2,735	**1,064**	1,080
Total	**3,154**	3,255	**1,517**	1,528

Brandon—Royal Canadian Legion Branch #3

(in thousands of Canadian dollars with the exception of interest rates)	March 31, 2023	March 31, 2022
Interest rate	**5.20%**	-
Interest rate expense for the year	**2**	-
Lease obligations at year end	**35**	-

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022
Not later than one year	**9**	-	**9**	-
Later than one year and not later than five years	**29**	-	**26**	-
Total	**38**	-	**35**	-

14. Operating Leases

As A Lessor:

The Corporation owns the cityplace property located in downtown Winnipeg including the cityplace building, one adjacent parking lot and one adjacent parkade. The cityplace building includes five floors of office space, three floors of parking and two floors of retail space. The Corporation leases out portions of the cityplace building.

None of the leases in which the Corporation acts as a lessor are sub-leased.

Future minimum lease payments under non-cancellable leases to be received are:

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Not later than one year	**4,056**	2,799
Later than one year and not later than five years	**11,494**	7,722
Later than five years	**10,086**	5,760
Total	**25,636**	16,281

During the year ended March 31, 2023, other revenue includes gross rental income from operating leases of $12.0 million (March 31, 2022—$11.0 million) and gross rental expenses pertaining to operating leases of $11.0 million (March 31, 2022—$9.8 million). There was no income contingent on retail sales included in rental income at March 31, 2023 (March 31, 2022—$9 thousand).

15. Provision for Employee Current Benefits

The provision for employee current benefits includes accrued vacation and sick leave liabilities. The determination of expenses and liabilities associated with the sick leave plan requires the use of critical assumptions such as discount rates and expected sick leave.

(in thousands of Canadian dollars)	**2023**	2022
Balance at beginning of year	**25,773**	25,374
Provisions incurred	**17,242**	16,603
Payments	**(16,342)**	(16,204)
Balance at March 31	**26,673**	25,773

16. Provision for Employee Future Benefits

The Corporation has a defined benefit pension plan, severance benefit plan and post-retirement extended health benefit plan available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The Corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent full actuarial valuation was conducted by an external actuary as at December 31, 2022, with the next scheduled actuarial valuation being December 31, 2023. Additionally, the Corporation had the external actuary revalue the benefit plans at the Corporation fiscal year end of March 31, 2023.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. On a yearly basis the Civil Service Superannuation Board provides an approval of the cost-of-living adjustment which is factored into the pension valuation. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. The weighted average duration of the defined benefit obligation is 14.2 years (March 31, 2022—15.8 years). Results from the most recent actuarial valuations, projected to March 31, 2023, and the corresponding economic assumptions are as follows:

Assumptions:

	Pension Benefit Plan		Other Benefit Plans	
	March 31, 2023	March 31, 2022	**March 31, 2023**	March 31, 2022
Discount rate - December Actuarial Valuation	**5.06%**	3.03%	**5.06%**	3.03%
Discount rate - March Actuarial Valuation	**4.90%**	4.01%	**4.90%**	4.01%
Discount rate on benefit costs	**4.01%**	3.34%	**4.01%**	3.34%
Inflation rate	**4.10%**	3.00%	**N/A**	N/A
Expected salary increase	**2.00%**	0.75%	**N/A**	N/A
Expected health care cost increase (out of scope)	**N/A**	N/A	**4.60%**	4.10%
Expected health care cost increase (in scope)	**N/A**	N/A	**4.10%**	3.00%

Change in benefit obligations:

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022
Balance at beginning of period	**423,118**	457,311	**51,731**	57,226
Current service cost	**15,961**	14,502	**3,140**	3,547
Interest cost	**16,962**	15,290	**1,021**	1,015
Benefits paid	**(15,822)**	(16,316)	**(3,314)**	(3,398)
Remeasurement gains recognized in other comprehensive income	**(45,850)**	(47,669)	**(3,572)**	(6,659)
Balance at March 31	**394,369**	423,118	**49,006**	51,731
Employee contribution for the period	**11,594**	10,962	-	-

Funding

The Employee Future Benefits (EFB) investment portfolio is a separate investment portfolio established to support the liabilities for Pension, Employee Post Retirement Benefits and Severance. The EFB portfolio has a unique asset allocation strategy in order to meet its objective of ensuring pension and other future employee benefit obligations are paid as they become due. When the portfolio requires funding to match an increase in the employee future benefit liabilities, it is funded by all lines of business.

The carrying value of the assets in the EFB investment portfolio as at March 31, 2023, and March 31, 2022, are as follows:

Employee Future Benefits Investment Portfolio

	March 31, 2023		March 31, 2022	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Cash & cash equivalents	**591**	**0.1%**	883	0.2%
Bonds	**85,424**	**15.9%**	89,913	16.7%
Private debt	**78,502**	**14.6%**	82,032	15.2%
Equity investment	**184,714**	**34.3%**	214,187	39.7%
Pooled real-estate fund	**94,383**	**17.5%**	92,010	17.1%
Infrastructure	**94,429**	**17.6%**	59,852	11.1%
Total	**538,043**	**100.0%**	538,877	100.0%

The Corporation contributes the employer share of the cost of employee future benefits to the Civil Service Superannuation Fund (CSSF) on a pay-as-you-go method of funding. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

Benefit Plan Expenses

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022
Current service cost	**15,961**	14,502	**3,140**	3,547
Interest cost	**16,962**	15,290	**1,021**	1,015
Total	**32,923**	29,792	**4,161**	4,562

Sensitivity Analysis

Based on the March 31, 2023, actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan

Gain due to discount rate increasing from 4.90% to 5.40% (plus .50%)	**(27,900)**
Loss due to discount rate decreasing from 4.90% to 4.40% (minus .50%)	**31,489**
Loss due to mortality life expectancy at age 65 up one year	**10,107**
Loss due to inflation indexing (2/3rd COLA) increasing 0.25%	**12,404**
Gain due to inflation indexing (2/3rd COLA) decreasing from 0.25%	**(11,825)**

Other Benefit Plans

Gain due to discount rate increasing from 4.90% to 5.40% (plus .50%)	**(316)**
Loss due to discount rate decreasing from 4.90% to 4.40% (minus .50%)	**356**
Loss due to mortality life expectancy at age 65 up one year	**130**
Loss due to health care cost inflation indexing increasing 0.25%	**172**
Gain due to health care cost inflation indexing decreasing 0.25%	**(163)**

Out-of-Scope Retirement Benefits

Gain due to discount rate increasing from 4.90% to 5.40% (plus .50%)	**(1,541)**
Loss due to discount rate decreasing from 4.90% to 4.40% (minus .50%)	**1,758**
Loss due to mortality life expectancy at age 65 up one year	**727**
Loss due to health care cost inflation indexing increasing 0.25%	**830**
Gain due to health care cost inflation indexing decreasing 0.25%	**(781)**

Expected maturity analysis of undiscounted pension benefit and other benefit plans:

(in thousands of Canadian dollars)	**Less than a year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**	**Total**
Pension benefit plan	**15,613**	**16,302**	**52,366**	**966,160**	**1,050,441**
Other benefit plans	**683**	**725**	**2,464**	**62,172**	**66,044**
At March 31, 2023	**16,296**	**17,027**	**54,830**	**1,028,332**	**1,116,485**

(in thousands of Canadian dollars)	Less than a year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Pension benefit plan	13,667	14,328	46,343	841,716	916,054
Other benefit plans	649	710	2,502	46,498	50,359
At March 31, 2022	14,316	15,038	48,845	888,214	966,413

17. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at March 31, 2023, and March 31, 2022.

(in thousands of Canadian dollars)	Gross	March 31, 2023 Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	**1,664,518**	**35,087**	**1,629,431**
Provision for incurred but not reported claims	**496,858**	**(6,333)**	**503,191**
Provision for internal loss adjusting expenses	**221,350**	**-**	**221,350**
Effect of discounting	**(274,671)**	**(2,089)**	**(272,582)**
Provision for adverse deviation	**256,608**	**2,051**	**254,557**
Provision for unpaid claims	**2,364,663**	**28,716**	**2,335,947**
Provision for unearned premiums (Note 12)	**719,532**	**791**	**718,741**
Total insurance contract provisions	**3,084,195**	**29,507**	**3,054,688**

(in thousands of Canadian dollars)	Gross	March 31, 2022 Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,567,643	20,283	1,547,360
Provision for incurred but not reported claims	455,428	5,441	449,987
Provision for internal loss adjusting expenses	220,503	-	220,503
Effect of discounting	(215,574)	(2,120)	(213,454)
Provision for adverse deviation	274,173	2,002	272,171
Provision for unpaid claims	2,302,173	25,606	2,276,567
Provision for unearned premiums (Note 12)	678,789	393	678,396
Total insurance contract provisions	2,980,962	25,999	2,954,963

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at March 31, 2023, and March 31, 2022.

(in thousands of Canadian dollars)	Gross	March 31, 2023 Reinsurance Ceded	Net
Insurance Contract Provisions			
Basic	**2,705,164**	**4,477**	**2,700,687**
Extension	**133,432**	**112**	**133,320**
Special Risk Extension	**263,662**	**24,956**	**238,706**
Total undiscounted	**3,102,258**	**29,545**	**3,072,713**
Discounting with provision for adverse deviation and premium deficiency	**(18,063)**	**(38)**	**(18,025)**
Total Insurance contract provisions	**3,084,195**	**29,507**	**3,054,688**

(in thousands of Canadian dollars)	Gross	March 31, 2022 Reinsurance Ceded	Net
Insurance Contract Provisions			
Basic	2,583,942	2,343	2,581,599
Extension	125,696	20	125,676
Special Risk Extension	212,725	23,754	188,971
Total undiscounted	2,922,363	26,117	2,896,246
Discounting with provision for adverse deviation and premium deficiency	58,599	(118)	58,717
Total insurance contract provisions	2,980,962	25,999	2,954,963

18. Claims Liabilities

Methodology and Assumptions

The best estimates of claim liabilities are determined by evaluating the ultimate loss estimates using various standard actuarial techniques. In particular, the techniques used to estimate the ultimate cost of claims include the Incurred Loss Development method, the Paid Loss Development method, the Incurred Bornheutter-Ferguson method, and the Paid Bornheutter-Ferguson method. The ultimate loss estimates are then determined by selecting of the most appropriate technique by line of business, coverage, and maturity of the accident year. All historical accident years are restated as period from April 1 to March 31 of the subsequent year to reflect the new fiscal year which began in the 2019/20 fiscal year.

Loss Development Method

The Loss Development method projects ultimate claims for each accident year by applying historical loss development pattersn to the paid or incurred loss amounts as fo the latest valuation date. This method assumes that future development of these losses is similar to prior accident years' development and that each accident year is independent.

Bornheutter-Ferguson Method

The Bornheutter-Ferguson Method projects ultimate losses for each accident year is a sum of the actual losses to date and the expected unreported (unpaid) losses as at the valuation date. The expected unreported (unpaid) losses are determined as the product of the expected loss ratio, earned premium and the per cent of unreported (unpaid) losses, with the latter based on the maturity of the accident year. An implicit assumption of this method is that the losses seen to date contain no informational value as to the amount of losses yet to be incurred or paid.

To derive the claim liabilities, the paid losses to date are subtracted from the ultimate loss estimate by accident year. Claim liabilities are initially determined on an undiscounted gross basis. To determine the net claim liabilities, the undiscounted ceded claim liabilities are deducted from the gross claim liabilities.

By line of business and coverage, losses paid and incurred for the last 19 accident years, on a gross basis, are organized in a triangular form by accident year and development period. Adjustments are made to the triangles for comprehensive coverage and indexed coverages:

- For comprehensive coverage, catastrophic losses are removed from the triangles. For the purpose of the valuation, catastrophic losses are defined as losses from a single catastrophic event whereby the incurred losses from the event exceed the Corporation's catastrophe retention level for the applicable accident year. The claim liabilities for these catastrophic losses are evaluated separately.
- For indexed coverages, prior years' losses are brought to current benefit levels so that the loss development factors are unaffected by indexation.

Ratios of loss amounts at successive development years are calculated to build loss development factor triangles. Loss development factors are selected based on observed historical development pattern. Judgment is used whenever there is significant variability in the observed historical development pattern, which happens with coverages with a small number of claims. Judgment is also used, in the absence of available supporting data, to determine tail factors for long-tailed coverages.

The loss data does not include unallocated loss adjustment expenses (ULAE). As such, a provision for ULAE is determined based on the observed historical ratios of paid ULAE to paid losses. The method assumes that half of the ULAE is paid when the claim is first set up, with the remaining half being paid to maintain the claim. An ULAE ratio is selected based on the observed historical ratios. Half of the selected ratio is applied to case reserves. The full ratio is applied to Incurred but Not Reported (IBNR) losses.

The loss data includes salvage and subrogation. As such, a separate analysis for salvage and subrogation is not performed.

Ceded claim liabilities and net claim liabilities are determined as follows:

- For catastrophe reinsurance, estimates of gross claim liabilities are determined for each catastrophic loss. The net claim liabilities are then determined as the gross claim liabilities less the applicable recovery. The ceded claim liabilities are the applicable recovery.
- For casualty reinsurance, aggregate ceded claim liabilities by insurance year are determined taking into consideration retention levels and other contract provisions. These liabilities are deducted from gross claim liabilities to determine net claim liabilities.

The undiscounted claim liabilities are adjusted to determine the discounted claim liabilities on an actuarial present value basis. Two adjustments are made to conform to the Actuarial Standards of Practice of the Canadian Institute of Actuaries:

- The undiscounted claim liabilities are discounted using a selected discount rate based on the market value weighted yield for the Corporation's bond portfolio as at the end of the fiscal year; and
- Provisions for adverse deviation are added to the discounted claim liabilities to obtain the discounted claim liabilities on an actuarial present value basis.

The estimates for unearned premium liabilities are also tested to ensure that they are sufficient to pay for future claims and expenses in servicing the unexpired policies as of the valuation date.

Changes in Assumptions

Change in Discount Rate

The Corporation uses separate investment portfolios to support the claim liabilities by lines of business. For Basic, between the March 31, 2022, valuation and the March 31, 2023, valuation, the discount rate increased by 55 basis points from 3.54 per cent to 4.09 per cent. For Extension, the discount rate increased by 92 basis points from 3.71 per cent to 4.63 per cent. For SRE, the discount rate increased by 78 basis points from 3.39 per cent to 4.17 per cent. Overall, the change to the discount rate decreased the discounted net claim liability by $95.1 million and ULAE provision by $10.0 million.

Change in Indexation Rate

On March 31, 2022, the forecast for the Manitoba Consumer Price Index (MB CPI) rate from 2022/23 to 2025/26 was 3.3 per cent, 4.2 per cent, 2.4 per cent and 2.3 per cent. For 2026/27 and going forward, the MB CPI is two per cent. On March 31, 2023, the MB CPI rate for 2023/24 to 2026/27 is 6.0 per cent, 4.05 per cent, 2.35 per cent and 2.1 per cent. For 2027/28 and onward the MB CPI rate is two per cent. This change in the forecast increased the discounted net claim liabilities by $50.1 million and increased the ULAE provision by $5.4 million.

Change in Margins for Adverse Deviation

The interest rate Margins for Advserse Deviation (MfAD) was chaned from 0.50 per cent to 0.40 per cent. The change was mainly driven by the performance of the Corporation's Asset-Liability Management strategy, in addition to the asset mix being comprised of mainly government and provincial bonds that are lower risk than traditional corporate bonds. This change decreased the discounted net claim liabilities by $15.5 million and resulted in a decrease of ULAE provision of $1.6 million.

The claims MfADs were changed for collision and comprehensive from 7.5 per cent to 5.0 per cent. This changes was made because the coverages are short-tailed in nature and have relatively stable claims development. In addition, it is consistent with the other short-tail line third-party liability - property damage. This change decreasd the discounted net claim liabilities by $5.1 million and decreased the ULAE provision by $0.6 million.

Change in Loss Development Factors

The loss development factors for all coverages are reviewed and revised to reflect an additional year of actual losses. The aggregate effect of all revisions to the selected loss development factors is an increase in the discounted net claim liabilities of $12.5 million and an increase in the ULAE provision of $1.7 million.

Change in the Trend Period Selection for Bornheutter-Ferguson Method

For the Basic line of business, the trend selection method for the Bornhuetter-Ferguson method was adjusted to exclude the 2020 COVID year based on not having experience reflective of current and past trends. This change increased the discounted net claim liabilities by $1.9 million and increased the ULAE provision by $0.3 million.

Change in IBNR Selection Methods

For Basic and Extension comprehensive coverage, IBNR was selected based on the Incurred Development method for all accident years. Previously, the Paid Development method was used for all insurance years except the most recent year which was selected on an incurred basis. For Basic third-party liability property damage coverage, the IBNR was selected based on the Incurred Development method whereas previously this was determined using the Incurred Bornhuetter-Ferguson method. This total effect of these two changes increased the net claim liability by $0.5 million and increased the ULAE provision by $0.1 million.

For Basic collision coverage, a bulk IBNR amount was added. There was evidence of late reporting of claims due to backlogs in repair shops and an increase in the labour rates which affects the Light Vehicle Accreditation Agreement (LVAA). Both events result in an increase to the ultimate claim costs. These item are not reflected in the historical data. As such, this increased the net claim discounted liabilities by $10.8 million and increased the ULAE provision by $2.2 milllion.

For weekly indemnity accident benefits and accident benefits other-indexed valuation lines, the increase in the minimum wage above Manitoba CPI was not captured in the current loss triangles, so a bulk loss amount was added to IBNR which results in an increase in the discounted net claim liabililities of $2.1 million and an increase in the ULAE provision of $0.4 million.

Change in ULAE Ratio

The ULAE ratio was changed from 9.45 per cent to 9.25 per cent for Basic and from 8.5 per cent to 8.0 per cent for Extension. The ULAE ratio selection was based on the average of the historical ratios excluding the calendar years impacted by the COVID-19 pandemic. These years were excluded as they were outliers and not reflective of expected future ULAE costs. This change decreased the ULAE provision by $5.8 million.

Change in Bornheutter-Ferguson Method to Remove Large Losses

For SRE, a change was made to exclude large losses from the expected loss ratio calculation that is used in the Bornhuetter-Ferguson method. Claims identified as large losses are often at or near the policy limit and are not expected to develop in the same manner as attritional claims.

Additionally, subsequent to the valuation date of March 31, there were two large claims that had significant changes in case reserves. One claim had a reserve decrease of $11.0 million, while the other had an increase of $3.0 million. To account for these changes, the selected IBNR was reduced by $8.0 million, which was partially offset by a reduction in ceded IBNR.

The two changes had the combined effect of a $14.7 million reduction in the net discounted claim liabilities, followed by a $1.8 million reduction in the ULAE provision.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

Balance at March 31, 2023 (in thousands of Canadian dollars)	**Gross**	**Reinsurance Ceded**	**Net**
Automobile Insurance Division			
Liability	**2,077,898**	**27,441**	**2,050,457**
Physical damage	**284,840**	**1,275**	**283,565**
	2,362,738	**28,716**	**2,334,022**
Discontinued operations—personal/commercial lines	**1,925**	**-**	**1,925**
Total	**2,364,663**	**28,716**	**2,335,947**

Balance at March 31, 2022 (in thousands of Canadian dollars)	Gross	Reinsurance Ceded	Net
Automobile Insurance Division			
Liability	2,058,823	25,374	2,033,449
Physical damage	241,553	232	241,321
	2,300,376	25,606	2,274,770
Discontinued operations—personal/commercial lines	1,797	-	1,797
Total	2,302,173	25,606	2,276,567

Changes in Unpaid Claims and ULAE Provision

Gross

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Discounted unpaid claims at beginning of period	**2,081,670**	1,972,824
Effect of discounting and provision for adverse deviation	**(58,599)**	(111,079)
Undiscounted unpaid claims at beginning of period	**2,023,071**	1,861,745
Ultimate claims for current accident year	**1,022,325**	922,297
Payment on current accident year claims	**(567,520)**	(508,869)
Change in ultimate claims from prior accident years	**79,715**	(11,598)
Payments on prior accident year claims	**(396,215)**	(240,504)
Undiscounted unpaid claims at the period end date	**2,161,376**	2,023,071
Effect of discounting and provision for adverse deviation	**(18,063)**	58,599
Discounted unpaid claims at the period end date	**2,143,313**	2,081,670
ULAE provision	**221,350**	220,503
Total unpaid claims provision	**2,364,663**	2,302,173

Reinsurance Ceded

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Discounted unpaid claims at beginning of period	**25,606**	6,759
Effect of discounting and provision for adverse deviation	**118**	(199)
Undiscounted unpaid claims at beginning of period	**25,724**	6,560
Ultimate claims for current accident year	**10,870**	17,920
Change in ultimate claims from prior accident years	**(3,625)**	1,431
Payments on prior accident year claims	**(4,215)**	(187)
Undiscounted unpaid claims at the period end date	**28,754**	25,724
Effect of discounting and provision for adverse deviation	**(38)**	(118)
Discounted unpaid claims at the period end date	**28,716**	25,606
Total unpaid claims provision	**28,716**	25,606

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Discounted unpaid claims at beginning of period	**2,056,064**	1,966,065
Effect of discounting and provision for adverse deviation	**(58,717)**	(110,880)
Undiscounted unpaid claims at beginning of period	**1,997,347**	1,855,185
Ultimate claims for current accident year	**1,011,455**	904,377
Payment on current accident year claims	**(567,520)**	(508,869)
Change in ultimate claims from prior accident years	**83,340**	(13,029)
Payments on prior accident year claims	**(392,000)**	(240,317)
Undiscounted unpaid claims at the period end date	**2,132,622**	1,997,347
Effect of discounting and provision for adverse deviation	**(18,025)**	58,717
Discounted unpaid claims at the period end date	**2,114,597**	2,056,064
ULAE provision	**221,350**	220,503
Total unpaid claims provision	**2,335,947**	2,276,567

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $254.6 million (March 31, 2022—$272.2 million). This provision is comprised of a claims development PfAD of $194.3 million (March 31, 2022—$192.8 million), an interest rate PfAD of $59.0 million (March 31, 2022—$78.2 million), and a reinsurance PfAD of $1.3 million (March 31, 2022—$1.2 million).

Net claims incurred and adjustment expenses do not include any catastrophes in the current fiscal year (March 31, 2022—nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended March 31, 2023, are a decrease of $0.13 million (March 31, 2022—decrease of $0.05 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

Unpaid claim liabilities are carried at values that reflect their remaining estimated ultimate costs for all accident years.

Development of Ultimate Claims

The following tables show the development of the estimated gross and net provision for unpaid claims for the 10 most recent accident years as estimated at each reporting date.

Current Ultimate Loss Estimates

Gross	Accident Year										
(in thousands of Canadian dollars)	2014	2015	2016	2017	2018	2019	2020*	2021	2022	2023	Total
Estimate of ultimate claims costs for the most recent 10 years:											
At end of accident year	688,939	749,198	702,512	809,487	868,568	862,666	912,378	855,664	741,785	1,022,324	
One year later	693,249	757,375	710,390	824,666	883,231	871,953	903,754	842,449	950,592		
Two years later	686,140	765,209	692,855	820,578	884,145	864,352	881,504	742,642			
Three years later	693,530	750,567	693,202	819,162	882,820	865,522	840,047				
Four years later	713,438	747,494	691,440	824,277	883,890	879,298					
Five years later	712,570	738,583	687,740	819,015	869,307						
Six years later	704,318	739,612	686,318	882,357							
Seven years later	705,414	742,880	823,193								
Eight years later	703,927	690,047									
Nine years later	744,762										
Current estimate of cumulative claims cost	744,762	690,047	823,193	882,357	869,307	879,298	840,047	742,642	950,592	1,022,325	8,444,570
Cumulative payments to date	693,337	631,799	751,635	786,430	770,930	792,974	730,039	608,814	760,085	567,520	7,093,563
Effect of discounting and PfAD on above	(1,384)	(1,940)	(2,339)	(3,055)	(3,282)	(2,806)	(3,071)	(2,567)	1,231	11,096	(8,117)
Discounted gross unpaid claims in respect of years prior to 2012											798,496
Gross claims relating to discontinued general lines											1,927
ULAE provision											221,350
Total gross unpaid claims											2,364,663
Current estimate of surplus (deficiency)	(55,823)	59,151	(120,681)	(72,870)	(739)	(16,632)	72,331	113,022	(208,807)	-	
Percentage surplus (deficiency) of initial gross reserve	(8.1%)	7.9%	(17.2%)	(9.0%)	(0.1%)	(1.9%)	7.9%	13.2%	(28.1%)	0.0%	

* The Corporation changed its year end from February 28/29 to March 31, effective March 31, 2020. Current loss estimates (gross and net) are based on the 12-month (April to March) accident year and are shaded. Due to the year-end transition, the March 31, 2020, accident year estimates are for a 13-month period of March 1, 2019, to March 31, 2020. All other accident years are for the 12-month period of March 1 to February 28/29.

Net of Reinsurance Ceded	Accident Year										
(in thousands of Canadian dollars)	2014	2015	2016	2017	2018	2019	2020*	2021	2022	2023	Total
Estimate of ultimate claims costs for the most recent 10 years:											
At end of accident year	688,605	746,019	702,227	809,187	868,299	862,475	895,678	855,663	736,356	1,011,454	
One year later	693,029	754,034	710,206	824,488	883,108	871,937	888,400	842,449	938,396		
Two years later	685,992	761,918	692,739	820,486	884,135	864,329	866,488	737,413			
Three years later	693,439	747,372	693,153	819,151	882,805	865,522	840,068				
Four years later	713,384	744,293	691,434	824,265	883,890	863,313					
Five years later	712,548	735,377	687,734	819,014	869,308						
Six years later	704,315	736,383	686,318	881,981							
Seven years later	705,409	739,623	823,193								
Eight years later	703,928	690,046									
Nine years later	741,731										
Current estimate of cumulative claims cost	741,731	690,046	823,193	881,981	869,308	863,313	840,068	737,413	938,396	1,011,454	8,396,903
Cumulative payments to date	690,365	631,799	751,635	786,431	770,930	778,104	730,038	604,690	760,086	567,520	7,071,598
Effect of discounting and PfAD on above	(1,388)	(1,940)	(2,339)	(3,081)	(3,282)	(2,801)	(3,072)	(2,563)	1,414	11,124	(7,928)
Discounted net unpaid claims in respect of years prior to 2012											795,293
Net claims relating to discontinued general lines											1,927
ULAE provision											221,350
Total net unpaid claims											2,335,947
Current estimate of surplus (deficiency)	(53,126)	55,973	(120,966)	(72,794)	(1,009)	(838)	55,610	118,250	(202,040)	-	
Percentage surplus (deficiency) of initial net reserve	(7.7%)	7.5%	(17.2%)	(9.0%)	(0.1%)	(0.1%)	6.2%	13.8%	(27.4%)	0.0%	

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporation's claim liabilities. PIPP claim liabilities are also the most uncertain because of the long-term nature of these benefits. A five per cent increase in net PIPP claim liabilities is equal to approximately $71.7 million (March 31, 2022—$71.5 million). Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected.

The discount rate for the Corporation's claim liabilities is calculated based on the yield of the Corporation's fixed income portfolio. Approximately 79 per cent of the Basic Claims, 61 per cent of the Extension and 78 per cent of the SRE fixed income portfolios are composed of marketable bonds. Across all lines of business (i.e., from a consolidated perspective), approximately 75 per cent of all fixed income is invested in marketable bonds. The changes in the marketable bond yield have a direct impact on the estimated value of the Corporation's unpaid claim liabilities.

A 1.00 per cent decrease in marketable bond interest rates would increase claim liabilities by approximately $158.3 million (March 31, 2022—$160.6 million), while a 1.00 per cent decrease in the claim liabilities discount rate would increase claim liabilities by approximately $202.5 million (March 31, 2022—$214.7 million). However, this impact would be largely offset by gains/losses on the Corporation's fixed income portfolio as described in the Interest Rate Risk section of Note 31.

19. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at March 31, 2023, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $10.0 million for PIPP claims and $5.0 million for SRE claims (March 31, 2022—$10.0 million for PIPP claims and $5.0 million for SRE claims) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a fiscal year aggregation of events exceeding $1.0 million, including catastrophic claims, to a retained maximum of $40.0 million (March 31, 2022—$40.0 million). These arrangements protect the Corporation against losses up to $400.0 million (March 31, 2022—$400.0 million).

Certain lines of insurance carry maximum limits lower than these amounts. Additionally, as the Corporation only has a limited number of reinstatements, it is possible that the Corporation would be responsible for costs exceeding the maximum noted above. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

20. Capital Management

The Corporation's objectives for managing capital are to ensure the Corporation is capitalized in a manner which provides a strong financial position, to protect its ability to meet policyholder obligations, and to maintain stable rates.

The capital structure of the Corporation is comprised of retained earnings and AOCI. Retained earnings are comprised of the accumulation of net income (loss) for the Basic and non-Basic lines of business. Non-Basic lines of business consist of Extension and Special Risk Extension (SRE) lines of business and *The Drivers and Vehicles Act* operations.

The capital backing Basic is comprised of the total equity position of the line of business, referred to as the Rate Stabilization Reserve (RSR). The purpose of the RSR is to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

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.

Section 18(3) of *The Manitoba Public Insurance Corporation Act* sets out the Corporation's capital targets expressed as a MCT percentage by line of business as follows:

- Basic 100 per cent
- Extension 200 per cent
- SRE 300 per cent

The Capital Management Plan determines the mechanism for building and releasing capital within the Basic line of business as well as the capital transfer protocols between lines of business.

Use of the MCT framework aligns with industry best practice and allows for comparisons to the private insurance market. The 100 per cent MCT target for Basic reflects the lower risk level of the Basic monopoly insurance program while the 200 per cent MCT target for Extension reflects the higher risks of operating in a competitive environment. SRE's 300 per cent MCT target reflects the higher risk exposure of commercial trucking fleets operating out-of-province.

As at March 31, 2023, Basic's MCT was 111 per cent (March 31, 2022—95 per cent), Extension's MCT was 202 per cent (March 31, 2022—201 per cent), and SRE's MCT was 386 per cent (March 31, 2022—270 per cent).

The Corporation's actuarial team annually prepares a Financial Condition Test report for each insurance line of business to assess capital adequacy under adverse financial conditions. In the most recent report, which was reviewed and signed by the Corporation's external Appointed Actuary, all lines of business were determined to have satisfactory future financial conditions.

The below chart depicts the components of retained earnings.

	Basic Retained Earnings	Non-Basic Retained Earnings	Total Retained Earnings
Balance as at April 1, 2021	448,678	270,606	719,284
Net income (loss) attributable to Owner of the Corporation after rebate to policyholders for the year	(89,343)	31,155	(58,188)
Balance as at March 31, 2022	359,335	301,761	661,096
Net income (loss) attributable to Owner of the Corporation for the year	**(38,658)**	**42,864**	**4,206**
Transfer between Basic Retained Earnings & Non-Basic Retained Earnings	**34,000**	**(34,000)**	**-**
Balance as at March 31, 2023	**354,677**	**310,625**	**665,302**

21. Accumulated Other Comprehensive Income (Loss)

AOCI reflects the net unrealized gain or loss on financial assets classified as AFS and net actuarial gain (loss) on employee future benefits. Changes in AOCI by type of asset are presented below.

(in thousands of Canadian dollars)	Equity Investments	Employee Future Benefits	Other Investments	Total AOCI
Balance as at April 1, 2021	104,271	(90,340)	(11,177)	2,754
Items that will not be reclassified to income				
Remeasurement of employee future benefits	-	54,328	-	54,328
Items that will be reclassified to income				
Unrealized gains (losses) on AFS assets	64,108	-	(33,531)	30,577
Reclassification of net realized gains (losses) related to AFS assets	(13,489)	-	29,162	15,673
Balance as at March 31, 2022	154,890	(36,012)	(15,546)	103,332
Items that will not be reclassified to income				
Remeasurement of employee future benefits	-	**49,422**	-	**49,422**
Items that will be reclassified to income				
Unrealized gains (losses) on AFS assets	**866**	-	**(21,293)**	**(20,427)**
Reclassification of net realized gains (losses) related to AFS assets	**(83,574)**	-	**33,393**	**(50,181)**
Balance as at March 31, 2023	**72,182**	**13,410**	**(3,446)**	**82,146**

22. Revenue from Service Contracts and Other Revenues

The Corporation has recognized the following amounts relating to revenue from service contracts and other sources in the Statement of Operations.

For the years ending March 31 (in thousands of Canadian dollars)	2023	2022
Revenue from service contracts		
DVA operations	**40,250**	30,250
Information	**256**	271
	40,506	30,521
Revenue from other sources		
Administration fees	**12,188**	11,094
Certificates, cards and passes	**1,872**	1,708
Interest	**19,402**	18,593
Rental income	**382**	1,091
Salvage	**216**	500
Training	**498**	440
Miscellaneous	**6,709**	3,442
	41,267	36,868
Total fees and other income	**81,773**	67,389

DVA operations revenue is earned from services provided by the Corporation on behalf of the Province of Manitoba. Revenue is recognized for these services over the period.

Information revenue is earned when the Corporation has provided the information agreed to in the contract.

23. Service Fees and Other Revenue

For the years ending March 31 (in thousands of Canadian dollars)	2023	2022
Transaction fees	**9,106**	8,394
Time payment fees	**3,070**	3,063
Time payment interest	**19,402**	18,593
Late payment fees	**1,010**	-
Dishonoured payment fees	**987**	860
Identity card/enhanced identity card fees	**515**	489
Rental income	**382**	1,091
Other miscellaneous revenue	**7,051**	4,649
Total	**41,523**	37,139

24. The Drivers and Vehicles Act Operations Recovery

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.

The Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payment to the Corporation, beginning April 1, 2017, was $30.2 million per year. For the fiscal year 2022/23, the Province of Manitoba increased the funding to $40.2 million.

The Corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

For the years ending March 31 (in thousands of Canadian dollars)	2023	2022
Vehicle registration fees	**173,110**	179,398
Driver licensing fees	**28,182**	26,837
Total	**201,292**	206,235

25. Operating Expenses by Nature

Overall operating expenses are comprised of corporate operating expenses, which are allocated to the categories, Claims, Loss prevention/Road safety, Operating and Regulatory/Appeal on the Statement of Operations as well as Commissions and Premium Taxes. The nature of these expenses are as follows:

For the years ending March 31 (in thousands of Canadian dollars)	**2023**	2022
Commissions	99,406	95,393
Premium taxes	43,847	38,593
Compensation	191,185	180,489
Data processing	78,024	58,479
Special services	15,897	12,469
Buildings	8,791	8,785
Safety/loss prevention programs	3,404	2,807
Telephones	1,704	1,837
Public information/advertising	2,323	2,910
Printing, stationery, supplies	5,076	4,578
Postage	5,449	5,430
Regulatory/appeal	4,408	4,297
Travel and vehicle	1,151	702
Driver education program	3,714	3,563
Grants in lieu of taxes	1,833	1,858
Furniture & equipment	2,963	2,284
Merchant fees & bank charges	10,036	10,467
Other	8,682	7,188
Amortization of deferred development costs	7,990	13,226
Depreciation of operating property and equipment	5,728	5,970
Total	**501,611**	461,325

26. Rebate to Policyholders

As of March 31, 2023, there were no rebates to policyholders. On July 19, 2021, the Corporation applied to the Public Utilities Board to issue a directive that the Corporation issue to ratepayers a percentage of their annualized premiums in respect to universal compulsory automobile insurance policies, through a special payment in an amount equal to the approximate sum of $202.7 million, which included $155.4 million that had been accrued at the end of the 2020/21 fiscal year. The special rebate amount was updated by the Corporation on October 5, 2021, to $334.9 million. On December 15, 2021, the Public Utilities Board issued Order 134/21 approving a rebate of approximately $312 million. As at March 31, 2022, the Corporation expensed $156.5 million for rebates to policyholders and paid approximately $311.9 million.

27. Line of Business Financials

Statement of Financial Positions by Line of Business

	Basic		Extension		SRE		DVA		Total*	
(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022
Assets										
Cash, investments and investment property	**2,894,199**	2,909,086	**150,253**	199,963	**348,370**	345,496	**167,848**	124,196	**3,560,670**	3,578,741
Accounts receivable and prepaid expenses	**435,767**	398,612	**118,631**	116,198	**49,908**	33,716	**2,721**	20,372	**607,027**	568,898
Property and equipment	**124,238**	111,880	**10,120**	9,175	**10,508**	9,149	**18,189**	15,294	**163,055**	145,498
Other assets	**72,340**	84,831	**38,995**	23,782	**53,433**	33,766	**41,813**	28,234	**206,581**	170,613
	3,526,544	3,504,409	**317,999**	349,118	**462,219**	422,127	**230,571**	188,096	**4,537,333**	4,463,750
Liabilities										
Accounts payable and accrued liabilities	**58,748**	60,876	**51,637**	87,802	**3,974**	3,477	**81,479**	33,530	**195,838**	185,685
Unearned premiums and fees	**580,335**	548,725	**99,237**	94,118	**72,377**	60,601	**-**	-	**751,949**	703,444
Provision for employee future benefits	**328,847**	355,244	**27,596**	30,020	**27,914**	29,089	**59,018**	60,496	**443,375**	474,849
Provision for unpaid claims	**2,121,691**	2,103,789	**44,315**	40,391	**198,658**	157,993	**-**	-	**2,364,664**	2,302,173
Other liabilities	**25,455**	25,011	**2,140**	2,123	**2,137**	2,020	**4,327**	4,017	**34,059**	33,171
	3,115,076	3,093,645	**224,925**	254,454	**305,060**	253,180	**144,824**	98,043	**3,789,885**	3,699,322
Equity										
Retained earnings	**354,677**	359,335	**83,191**	78,832	**153,692**	138,592	**73,742**	84,337	**665,302**	661,096
Accumulated other comprehensive income (loss)	**56,791**	51,429	**9,883**	15,832	**3,467**	30,355	**12,005**	5,716	**82,146**	103,332
	411,468	410,764	**93,074**	94,664	**157,159**	168,947	**85,747**	90,053	**747,448**	764,428
	3,526,544	3,504,409	**317,999**	349,118	**462,219**	422,127	**230,571**	188,096	**4,537,333**	4,463,750

*The total reflected above includes inter-line of business transfers and therefore does not match the corporate financial statements for accounts receivable and accounts payable. The differences are $91.0 million for 2022/23 and $78.4 million for 2021/22.

Of note, at March 31, 2023, the Corporation transferred $34.0 million from the Extension line of business to the Basic line of business in accordance with the Capital Management Program for excess retained earnings from the Extension line of business to be transferred to the Basic line of business.

In 2021/22, the Corporation transferred $57 million (2020/21 - $60 million) from the Extension line of business to the DVA line of business. These transfers were done to defray the impact of historical losses in the DVA line of business as well as the costs associated with the technology changes related to Project Nova, which is the largest business transformation in the Corporation's 50-year history.

Statement of Operations by Line of Business

	Basic		Extension		SRE		DVA		Total	
For the year ended (in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022	**March 31, 2023**	March 31, 2022
Gross premiums written	**1,123,870**	1,080,879	**186,794**	180,476	**191,678**	161,228	**-**	-	**1,502,342**	1,422,583
Revenue										
Net premiums earned	**1,081,630**	1,106,408	**181,666**	168,854	**174,679**	145,516	**-**	-	**1,437,975**	1,420,778
Other revenue	**27,279**	24,652	**11,872**	10,725	**786**	(10)	**41,836**	32,022	**81,773**	67,389
Total Earned Revenue	**1,108,909**	1,131,060	**193,538**	179,579	**175,465**	145,506	**41,836**	32,022	**1,519,748**	1,488,167
Expenses										
Claims costs	**958,487**	862,423	**111,697**	87,497	**156,056**	111,770	**-**	-	**1,226,240**	1,061,690
Commissions	**47,548**	44,925	**32,490**	33,664	**17,302**	14,886	**2,066**	1,918	**99,406**	95,393
Premiums taxes	**32,941**	28,966	**5,509**	5,124	**5,397**	4,503	**-**	-	**43,847**	38,593
Other expenses	**91,183**	80,371	**10,787**	7,988	**14,691**	9,364	**54,607**	51,016	**171,268**	148,739
Total Expenses	**1,130,159**	1,016,685	**160,483**	134,273	**193,446**	140,523	**56,673**	52,934	**1,540,761**	1,344,415
Investment income (loss)	**(17,408)**	(47,184)	**5,304**	4,292	**33,081**	(1,277)	**4,242**	(1,237)	**25,219**	(45,406)
Net income (loss) attributable to Owner of the Corporation before rebate to policyholders	**(38,658)**	67,191	**38,359**	49,598	**15,100**	3,706	**(10,595)**	(22,149)	**4,206**	98,346
Rebate to policyholders	**-**	(156,534)	**-**	-	**-**	-	**-**	-	**-**	(156,534)
Net income (loss) attributable to Owner of the Corporation after rebate to policyholders	**(38,658)**	(89,343)	**38,359**	49,598	**15,100**	3,706	**(10,595)**	(22,149)	**4,206**	(58,188)

28. Discontinued General Insurance Operations

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987, and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001, the Corporation accepted a third-party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the un-commuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975, to November 18, 1987, including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $61.0 thousand (March 31, 2022—$45.0 thousand net income) which is reported as part of the Special Risk Extension line of business (Note 27). Included in the provision for unpaid claims is $1.9 million (March 31, 2022—$1.8 million) relating to discontinued operations.

29. Commitments

As of March 31, 2023, the Corporation has material commitments related to Administrative Service Contracts, Operations Service Agreements, and Information Technology Systems Contracts as follows:

(in thousands of Canadian dollars)	2023/24	2024/25	2025/26	2026/27	2027/28	Thereafter
Administrative service contracts	4,015	3,575	2,759	976	-	-
Operations service agreements	67,177	65,483	65,233	63,490	63,833	-
Information technology systems contracts	53,720	27,957	24,759	19,002	8,262	8,572
	124,912	**97,015**	**92,751**	**83,468**	**72,095**	**8,572**

30. Related-Party Transactions

Key Management Personnel

Key management personnel are comprised of all members of the Board of Directors and the named Executive management team. The summary of compensation of key management personnel for the year is as follows:

For the years ending March 31 (in thousands of Canadian dollars)	2023	2022
Short term benefits	**2,580**	2,714
Post-employment benefits	**393**	382
Other long-term benefits	**41**	38
Termination Benefits	**53**	248
Total	**3,067**	3,382

Key management personnel and their close relatives may have insurance policies and driver's licences with the Corporation as required by *The Manitoba Public Insurance Corporation Act* and *The Drivers and Vehicles Act*. The terms and conditions of such transactions are the same as those available to clients and employees of the Corporation.

Province of Manitoba

Investment management fees paid to the Department of Finance are disclosed in Note 4.

Accounts Payable and Accrued Liabilities include $36.4 million (March 31, 2022—$31.3 million) due to the Province of Manitoba.

The Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payments to the Corporation, beginning April 1, 2017, is $30.2 million per year. For the fiscal year 2022/23, the Province of Manitoba increased the funding to $40.25 million.

31. Insurance and Financial Risk Management

As a provider of vehicle insurance products, effective risk management is fundamental in protecting earnings, cashflow and ultimately the financial stability of the Corporation. The Corporation is exposed to various types of insurance and financial risks.

Insurance Risk

The principal risk that the Corporation faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events have an element of randomness and the actual number and amount of claims and benefits will vary each year from the level established using statistical techniques.

Frequency and Severity of Claims

Frequency is the average number of claims per policy, calculated by dividing the total number of claims by the total number of policies. Severity is the average cost of a claim calculated by dividing the total costs of claims by the total number of claims. There are a number of factors that influence the frequency and severity of claims.

Some factors are affected by the actions of the Corporation and a number of strategies are used to try to reduce cost pressures created by those factors, including claims operational changes, road safety programs, programs to influence driver behaviour such as impaired driving and distracted driving prevention, public awareness campaigns, auto crime reduction initiatives and fraud detection and investigation.

There are other factors that the Corporation has little or no control over, including weather, demographics, pandemic events and economic changes, including vehicle parts/repair inflation and medical expense inflation that influences the cost of claims.

Sources of Uncertainty in the Estimation of the Provision for Unpaid Claims

To manage the uncertainty associated with estimating the provision for unpaid claims, the Corporation's Chief Actuary employs standard actuarial methods. The estimation of the provision for unpaid claims is determined in accordance with accepted actuarial practice in Canada and is based on reasonable assumptions and appropriate methods that are consistently applied, giving appropriate consideration to relevant changes in circumstances such as the COVID-19 pandemic and product changes.

There is inherent uncertainty regarding the assumptions to estimate the amount and timing of future claims payments that make up the provision for unpaid claims. Actuarial assumptions in the provision for unpaid claims include: length of time of settlement with impacts to predictability, experience with similar cases, historical claim payment trends and development patterns, line of business characteristics, effects of inflation on future claim settlement costs and economic decisions. Additionally, the Corporation's provision for unpaid claims can be affected by the frequency and severity of claims and the discount rate.

The Corporation is liable for all insured events that occurred during the term of the insurance contract, even if the loss is reported after the end of the contract term. In addition, injury claims can be long-tailed.

Injury claims include bodily injury, accident benefits and death benefits, which account for approximately 25 per cent of total net claims incurred. The timing of payments of injury claims can be extended due to delayed reporting, and the timing and amount of injury payments can exhibit considerable uncertainty because of the complex bodily injury claims environment and internal claims operational changes.

The frequency and severity of claims is discussed above, while the discount rate and actuarial methods and assumptions are discussed in Note 18.

Concentration of Insurance Risk

The Corporation has a diverse customer base as the sole provider of Basic insurance to all drivers in Manitoba. The Corporation operates in one provincial jurisdiction and provides vehicle insurance only, so there is a concentration of insurance risk with respect to geography, jurisdiction and product type.

The impact of the concentration of insurance risk is quantified through catastrophe modeling that the Corporation's reinsurance broker updates annually. This testing allows the Corporation to assess, monitor and manage these risks effectively. The concentration of insurance risk is also managed through a catastrophe reinsurance treaty, road safety programs, the graduated licensing program and distracted driving campaigns. As the sole provider of Basic insurance, the Corporation invests in and benefits the most from these programs.

Premium Pricing Risk

The Corporation is the sole provider of Basic insurance and is not subject to competitive risk for its Basic insurance product. Basic insurance rates are set to breakeven after considering investment returns. Because the insurance rates area determined based on forward looking estimates of costs, the unfavourable variance in costs, in particular claims costs, may result in Basic insurance premiums not being sufficient to cover costs.

The Corporation is subject to legislative requirements and applies to the Public Utilities Board annually to establish rates for the Basic insurance line of business.

The Corporation's Extension and Special Risk Extension lines of business products compete with other insurers and are subject to underwriting risk and competitive risk.

On behalf of the Province of Manitoba, the Corporation administers the Drivers and Vehicles requirements for driver safety, vehicle registration and driver licensing. Rates for these products are set by the Province of Manitoba.

Financial Risk

Investments carry certain financial risks including market risk, credit risk and liquidity risk. In accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*, the Minister of Finance is responsible for the investments of the Corporation. The Minister has charged the Department of Finance with the operational management of the fund. The Corporation, through the Investment Committee of the Board, and the Department jointly determine appropriate policies and strategies to mitigate risk. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Market Risk

Market risk is the risk that changes in foreign exchange rates, market interest rates and other changes in market prices will result in fluctuation of the fair value or future cash flows of a financial instrument.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. As of March 31, 2023, total foreign denominated financial instruments was approximately 3.89 per cent (March 31, 2022—5.37 per cent) of the Corporation's investment portfolio and had carrying values noted below.

A 10 per cent change in the USD exchange rate as at March 31, 2023, would change the fair value of the USD investments below and result in a change to OCI of approximately $9.4 million (March 31, 2022 - $14.1 million) and to profit or loss of $2.9 million (March 31, 2022 - $2.6 million). This would also result in a change to the USD swap of $1.3 million to profit or loss. A 10 per cent change in the GBP exchange rate as at March 31, 2023, would change the fair value of the GBP investments and result in a change to profit or loss of $0.9 million (March 31, 2022 - $1.5 million).

March 31, 2023	**March 31, 2023**	March 31, 2022	March 31, 2022
$90.7 million USD	**$122.8 million CAD**	$133.2 million USD	$166.4 million CAD
£5.7 million GBP	**$9.5 million CAD**	£8.9 million GBP	$14.6 million CAD

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10.0 million. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5 per cent rate based on the U.S. $10.0 million par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13.4 million. As of March 31, 2023, the fair value of the swap was ($0.2) million (March 31, 2022—$0.6 million). The maturity date of the currency swap and the bond is July 15, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will result in fluctuation of the fair value or future cash flows of a financial instrument.

The market valuation of the Corporation's fixed income portfolio is directly impacted by fluctuations in interest rates and will have a larger impact on instruments with a long duration.

	Average Effective Rate—%	
	2023	2022
Federal	**2.00**	2.95
Provincial	**3.84**	3.07
Municipal	**3.95**	3.43
Schools	**4.33**	4.39
Corporations	**4.26**	3.08

A new Asset Liability Management strategy was implemented in June 2021. The Corporation employs a hybrid methodology comprised of moment matching and cash flow matching to manage the interest rate risk associated with the Basic claims liabilities. Previous to that time, the Corporation employed a duration matching strategy.

A portion of the Basic claims liabilities are carved out to match the cash flows from the non-marketable bond portfolio; a duration-based comparison is used to monitor this portion of the strategy. The remaining liabilities are matched to the marketable bond portfolio through a moment matching approach.

Interest rate risk for Basic claims is managed by matching the first and second moments of the marketable bond portfolio to the first and second moments of the Corporation's Basic claims liabilities (excluding the liabilities matched to the non-marketable bond portfolio). The first moment and second moment are indicators of the sensitivity of the assets and liabilities to changes in the current interest rates.

Under the current policy, the first moment of the marketable bond portfolio must be within +/- 0.25 years of the first moment of the associated Basic claim liabilities with a maximum dollar difference of +/-$90 million. The duration of the non-marketable bond portfolio must be within +/-0.25 years of the associated Basic claims liabilities with a maximum dollar difference of +/- $10 million. Any gap between the first and second moments of the assets and the liabilities is minimized by purchasing and selling fixed interest securities to adjust those moments appropriately.

As of March 31, 2023, the Corporation's Basic claims marketable bonds first moment duration gap was negative 0.04 years. The non-marketable bonds had a modified duration gap of negative 0.09 years as of March 31, 2023. The market value of all fixed income assets in the Basic claims investment portfolio exceeded the present value of the Basic claim liabilities by $40.0 million. As at March 31, 2022, the Corporation's Basic claims duration gap was 0.06 years and the non-marketable bonds had a modified duration gap of negative 0.10 years.

The Corporation does not specifically match employee future benefit obligations with fixed income but rather a balanced asset allocation approach.

The approximate impact of an increase of 100 basis points in interest rates as at March 31, 2023, would decrease the net income (loss) attributable to Owner of the Corporation by $59.5 million (March 31, 2022—$44.2 million decrease) and increase the OCI of the Corporation by $37.5 million (March 31, 2022—$33.1 million increase). The approximate impact of a decrease of 100 basis points in interest rates as at March 31, 2023, would increase the net income (loss) attributable to Owner of the Corporation by $67.2 million (March 31, 2022—$17.4 million increase) and decrease OCI of the Corporation by $45.2 million (March 31, 2022—$42.8 million decrease).

Equity Price Risk

The fair value of equity securities held by the Corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at March 31, 2023, a 10.0 per cent change in the fair value of the Corporation's equity portfolio would result in a $31.3 million (March 31, 2022—$58.2 million) change in OCI.

As all equities are classified as AFS, all changes in prices are recorded as OCI and do not directly impact the Statement of Operations until such time as an investment is sold or has become impaired (Note 3). The Corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

The Corporation's investment portfolio is exposed to changes in equity prices in Canadian and global markets. At March 31, 2023, equities comprised 9.2 per cent (March 31, 2022 – 17.3 per cent) of the carrying value of the Corporation's investment portfolio.

Equity risk results from movements in and/or the volatility of equity markets, including equity prices and indices. Diversification techniques are employed to minimize risk including exposure to various investment styles. Our investment policies limit total investment in any entity or group of relates entities to a maximum of five per cent of our assets. Our stock portfolio is benchmarked to the indices noted in the table below. A 10 per cent movement in the indices, with all other variables held constant, would have the following estimated effect on the fair value of our stock holdings as at March 31, 2023, and March 31, 2022.

(in thousands of Canadian dollars)

Stock Portfolio	**Benchmark**	**March 31, 2023**	March 31, 2022
Canadian common	S&P/TSX Composite Index	**13,217**	20,921
Global equities	MSCI World Index	**15,521**	25,999
Total		**28,738**	46,920

Credit Risk

Credit risk is the potential for the Corporation to incur a financial loss due to the failure of the other party to discharge an obligation. Financial instruments that give rise to potential credit risk for the Corporation include fixed income securities, accounts receivable, reinsurance receivables and structured settlements.

The following table summarizes the Corporation's maximum exposure to credit risk on the Statement of Financial Position. The maximum credit exposure is the carrying value of the asset net of an allowance for loss.

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Cash and cash equivalents	**142,343**	197,056
Bonds	**2,485,710**	2,251,723
Private debt	**250,968**	237,579
Due from other insurance companies	**34**	14
Accounts receivable	**512,004**	485,964
Reinsurance receivable	**29,099**	25,580
Maximum credit risk exposure on the Statement of Financial Position	**3,420,158**	3,197,916

Fixed Income Securities Credit Risk

The Corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according primarily to Moody's Investors Service, with additional inputs from Standard & Poor's and Dominion Bond Rating Service, at the period end date. All Manitoba municipal and school bonds are backed by the Province of Manitoba and, as such, have been assigned the credit rating of the Province of Manitoba Bonds.

	March 31, 2023		March 31, 2022	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Aaa	**144,116**	**5.3%**	66,580	2.7%
Aa	**1,003,973**	**36.7%**	776,631	31.2%
A	**1,023,819**	**37.4%**	961,451	38.6%
Baa	**228,378**	**8.3%**	270,206	10.9%
Not Rated	**336,392**	**12.3%**	414,434	16.6%
Total	**2,736,678**	**100.0%**	2,489,302	100.0%

Accounts Receivable Credit Risk

The Corporation's accounts receivable are comprised of customers with varying financial conditions as the Corporation is required to provide Basic insurance to all vehicle owners and drivers in the Province of Manitoba. All significant past due receivables, including subrogation receivables, are fully provided for due to the uncertainty of collection. Substantially all remaining receivables are deemed to be collectible within 12 months. The credit risk pertaining to premiums receivable is mitigated as a customer's policy may be cancelled for default of payment.

The following table highlights the Corporation's accounts receivable by major category.

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Policy and time payments	**479,845**	455,362
Accrued interest	**29,711**	24,791
Subrogation and other receivables	**81,517**	72,660
Allowance for doubtful accounts	**(79,069)**	(66,849)
At year ended	**512,004**	485,964

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Balance at beginning of year	**66,849**	47,883
Accounts written off	**(909)**	(971)
Current period provision	**13,129**	19,937
Balance at March 31	**79,069**	66,849

Accounts receivable are primarily from customers, along with amounts from brokers across the province of Manitoba.

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Current	**533,883**	506,661
31-60 days	**2,033**	1,975
61-90 days	**747**	1,029
Greater than 90 days	**54,410**	43,148
Subtotal	**591,073**	552,813
Allowance for doubtful accounts	**(79,069)**	(66,849)
At year ended	**512,004**	485,964

Reinsurance Receivable Credit Risk

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of which there were $0.4 million outstanding as of March 31, 2023 (March 31, 2022—$0.4 million).

Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A– from A.M. Best and BBB+ credit rating from S&P Global Ratings is in place.

For the 2022/23 fiscal year, 10 reinsurers share the Corporation's casualty reinsurance coverage, ranging from 1.0 per cent to 32.0 per cent on any one layer. The reinsurer exposed to 32.0 per cent of the losses is licensed in Canada by OSFI and, therefore, subject to minimum capital requirements.

For the 2022/23 fiscal year, 15 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 25.0 per cent of the reinsurance exposure on any one layer.

No material amount due from reinsurers was considered uncollectible during 2022/23 and no allowance for doubtful accounts has been established as at March 31, 2023.

Structured Settlements Credit Risk

The Corporation has settled some insurance claims by purchasing structured settlements from life insurers. As of the Statement of Financial Position date, the present value of expected payments totals $109.9 million (March 31, 2022—$119.0 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan. Assuris is an independent not-for-profit, industry-funded compensation organization founded in 1990. Assuris is designated by the federal Minister of Finance under *The Insurance Companies Act of Canada* to protect policyholders.

Liquidity Risk

A significant risk of the insurance industry is the ability to match the cash inflows of the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The Corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio. To meet the cash requirements for claims and operating expenses, the Corporation has policies to ensure that assets and liabilities are broadly matched in terms of their duration.

Cash and cash equivalents are essential components of the Corporation's financial liquidity management. Cash flows are monitored to ensure sufficient resources are available to meet our current operating requirements. Excess funds not needed to meet current operating requirements are invested in long-term instruments to generate additional revenue for future obligations.

Bonds—maturity profile

	March 31, 2023			
(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
Federal	-	-	119,085	119,085
Manitoba				
Provincial	-	-	111,866	111,866
Municipal	-	4,829	106,003	110,832
Schools	-	59,097	306,968	366,065
Other Provinces				
Provincial	-	334,442	786,921	1,121,363
Municipal	-	9,643	41,031	50,674
Corporations	85,424	30,370	490,031	605,825
Total	85,424	438,381	1,961,905	2,485,710

	March 31, 2022			
(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
Federal	-	-	44,186	44,186
Manitoba				
Provincial	-	-	117,073	117,073
Municipal	49	5,349	81,639	87,037
Schools	1,977	50,487	360,404	412,868
Other Provinces				
Provincial	37,049	110,218	744,006	891,273
Municipal	-	4,987	50,057	55,044
Corporations	176,855	17,301	450,086	644,242
Total	215,930	188,342	1,847,451	2,251,723

Liability Liquidity

	March 31, 2023			
(in thousands of Canadian dollars)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total**
Provision for unpaid claims Cash Flows—undiscounted basis	**490,035**	**468,819**	**1,384,495**	**2,343,349**

	March 31, 2022			
(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
Provision for unpaid claims Cash Flows—undiscounted basis	422,221	433,999	1,343,739	2,199,959

32. Non-Current Assets and Liabilities

The following table presents financial assets and liabilities valued on the Corporation's Statement of Financial Position that the Corporation expects to recover or settle in 12 months or greater.

(in thousands of Canadian dollars)	**March 31, 2023**	March 31, 2022
Financial Assets		
Bonds	**2,400,286**	2,035,793
Pooled real-estate fund	**192,928**	181,888
Infrastructure and other investments	**162,233**	114,867
Reinsurers' share of unpaid claims	**18,157**	17,046
	2,773,604	2,349,594
Financial Liabilities		
Lease obligations	**6,485**	6,500
Provision for unpaid claims—net	**1,865,254**	1,872,576
	1,871,739	1,879,076
Net assets due after one year	**901,865**	470,518

33. Rate Regulation

Under the provisions of *The Crown Corporations Governance and Accountability Act*, the Public Utilities Board has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the Corporation. No new rates or fees for services can be introduced without the approval of the Public Utilities Board. This business comprises approximately 77 per cent (March 31, 2022—80 per cent) of the total business based on net claims incurred.

Annually the Corporation prepares its Basic Insurance general rate application and files it with the Public Utilities Board in the month of June for implementation the following fiscal year. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The Corporation is required to pay a portion of the Public Utilities Board's operating costs relating to the Corporation's share of the overall Public Utilities Board budget. In addition, the Public Utilities Board can also order the Corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

34. Contingent Liabilities

The Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Corporation.

Procurement

In accordance with OIC 41/2023: A Directive to The Manitoba Public Insurance Corporation Respecting Procurement Policies and Procedures, the Corporation includes as part of its annual report the following agreements which were entered into pursuant to a direct award or sole source arrangement or as a result of an emergency.

Approval Date	Vendor	Contract Amount	Currency	Description	Rationale
2022-04-04	Axway Inc.	$174,835.20	CDN	Computer Software	Software Maintenance Renewal
2022-04-25	Microsoft Canada Inc.	$455,155.65	CDN	Computer Software	GOM Group Buying Agreement
2022-05-26	Insight Canada Inc.	$54,650.00	CDN	Office Equipment	Sole Source
2022-06-16	THOR Plumbing & Heating	$43,017.00	CDN	Heating/Air Conditioning Services	Urgency
2022-06-29	Micro Focus (Canada) ULC	$309,481.84	CDN	Computer Software	Software Maintenance Renewal
2022-07-14	Informatica LLC	$286,845.42	CDN	Computer Software	Software Maintenance Renewal
2022-07-28	KingswaySoft Inc	$19,950.00	USD	Computer Software	Sole Source
2022-09-07	1 x1 Architecture	$160,000.00	CDN	Architectural Services - Construction	Urgency
2022-09-07	Tiger Ventures (Demolition)	$360,000.00	CDN	Construction Services	Urgency
2022-10-06	Bird Construction	$450,000.00	CDN	Construction Services	Urgency
2022-11-14	Mitratech Holdings Inc.	$282,495.86	USD	Computer Software	Software Maintenance Renewal
2022-11-15	Powerland Computers	$59,576.00	CDN	Office Equipment	Sole Source
2022-11-25	Multiple Vendors - 12 individuals	$63,200.00	CDN	Vehicle Appraisal Services	Sole Source
2022-12-07	Impetus Technologies Inc.	$500,000.00	CDN	Consulting Services	Urgency
2022-12-16	Milliman Inc.	$347,000.00	USD	Consulting Services	Sole Source
2022-12-16	Samarth Solutions Inc.	$282,750.00	CDN	Consulting Services	No Qualified response to RFSO posting
2022-12-19	Pitney Bowes Inc.	$26,181.00	CDN	Office Equipment	GOM Group Buying Agreement
2022-12-30	Deloitte LLP	$240,000.00	CDN	Consulting Services	Urgency
2023-01-26	BQ International Ltd.	$245,050.00	CDN	Consulting Services	No Qualified response to RFSO posting

Manitoba Public Insurance Locations

Customer Service

Winnipeg
T: 204–985–7000

Outside Winnipeg (Toll-Free)
T: 800–665–2410

Deaf Access TTY/TDD
T: 204–985–8832

Out-of-Province Claims
T: 800–661–6051

Administrative Offices

Winnipeg
234 Donald Street
Box 6300 R3C 4A4

Brandon
731 1st Street R7A 6C3

Service Locations

Winnipeg

Service Centres
15 Barnes Street
125 King Edward Street East
40 Lexington Park
1284 Main Street
930 St. Mary's Road

cityplace
234 Donald Street

Service Centre, Main Floor

ID Verification and Data Integrity

Rehabilitation Management Centre

Serious and Long-Term Case Management Centre

Bodily Injury Centre

Physical Damage Centre
1981 Plessis Road

Holding Compound/Receiving

Salvage

Commercial Claims

Outside Winnipeg

Arborg Service Centre
323 Sunset Boulevard

Beausejour Service Centre
848 Park Avenue

Brandon Service Centre
731 1st Street

Dauphin Service Centre
217 Industrial Road

Portage La Prairie Service Centre
2007 Saskatchewan Avenue West

Selkirk Service Centre
1008 Manitoba Avenue

Steinbach Service Centre
91 North Front Drive

Swan River Claim Centre
125 4th Avenue North

The Pas Claim Centre
424 Fischer Avenue

Thompson Service Centre
53 Commercial Place

Winkler Service Centre
355 Boundary Trail

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PUBLIC INSURANCE