2019/20

Universal Compulsory Automobile Insurance

Annual Financial Statements

For the fiscal period ended
March 31, 2020

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Universal Compulsory Automobile Insurance Financial Statements are derived from the Manitoba Public Insurance Corporation's (the Corporation) Annual Financial Statements and are considered by management to fairly represent the financial position, results of operations and changes in cash flow for the Universal Compulsory Automobile Insurance line of business (Basic Insurance line of business).

The financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards. The financial information contained in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the Corporation's information systems. 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, Finance and Risk 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 auditors, have audited the Basic Insurance financial statements. Their Independent Auditors' 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 Basic Insurance line of business in accordance with International Financial Reporting Standards.

Benjamin Graham
President and Chief Executive Officer

Mark Giesbrecht, CPA, CGA
Vice-President, Finance and Chief Financial Officer

July 22, 2020

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the Universal Compulsory Automobile Insurance policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statements of financial position at March 31, 2020 and their change 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.

Joe S. Cheng
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba

July 22, 2020

Independent auditor's report

To the Board of Directors of Manitoba Public Insurance Corporation's Universal Compulsory Automobile Insurance line of business

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Public Insurance Corporation's Universal Compulsory Automobile Insurance line of business (the Corporation) as at March 31, 2020 and its financial performance and its cash flows for the 13-month period 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, 2020;
- the statement of operations for the 13-month period then ended;
- the statement of comprehensive income for the 13-month period then ended;
- the statement of changes in equity for the 13-month period then ended;
- the statement of cash flows for the year 13-month period ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

Chartered Professional Accountants

Winnipeg, Manitoba
July 22, 2020

Financial Statements
Manitoba Public Insurance
Universal Compulsory Automobile Insurance

Statement of Financial Position

(in thousands of Canadian dollars)	*Notes*	**March 31 2020 *Note 1***	February 28 2019
Assets			
Cash and cash equivalents	*3*	**186,635**	161,945
Investments	*3*	**2,649,000**	2,426,046
Investment property	*3&4*	**20,969**	41,892
Due from other insurance companies	*5*	**381**	1,495
Accounts receivable	*25*	**406,261**	422,173
Prepaid expenses		**583**	620
Deferred policy acquisition costs	*6*	**25,582**	6,063
Reinsurers' share of unpaid claims	*16&17*	**5,072**	8,463
Property and equipment	*7*	**88,465**	88,983
Deferred development costs	*8*	**34,964**	45,926
		3,417,912	3,203,606
Liabilities			
Due to other insurance companies	*9*	**595**	2,066
Accounts payable and accrued liabilities	*10*	**50,053**	70,282
Lease obligation	*11*	**5,475**	3,081
Unearned premiums and fees	*13*	**569,706**	543,416
Provision for employee current benefits	*14*	**18,213**	17,098
Provision for employee future benefits	*15*	**336,307**	342,046
Provision for unpaid claims	*16&17*	**2,031,336**	1,975,925
		3,011,685	2,953,914
Equity			
Retained Earnings	*19*	**440,522**	309,812
Accumulated Other Comprehensive Loss	*20*	**(34,295)**	(60,120)
		406,227	249,692
		3,417,912	3,203,606

Contingent Liabilities (Note 28)

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

Approved by the Board of Directors:

Dr. Mike Sullivan
Chair

Domenic Grestoni, CPA, CGA, ICD.D
Chair, Audit, Finance and Risk Committee

Manitoba Public Insurance
Universal Compulsory Automobile Insurance

Statement of Operations

For the periods ended (in thousands of Canadian dollars)	Notes	13 months ended March 31 2020	12 months ended February 28 2019
Earned Revenues			
Gross premiums written		**1,239,263**	1,070,529
Premiums ceded to reinsurers		**(15,441)**	(12,502)
Net premiums written		**1,223,822**	1,058,027
Increase in gross unearned premiums		**(47,882)**	(31,092)
Net premiums earned		**1,175,940**	1,026,935
Service fees and other revenue	*21&22*	**29,130**	24,568
Total Earned Revenues		**1,205,070**	1,051,503
Claims Costs			
Direct claims incurred - gross		**866,319**	907,374
Claims recovered ceded to reinsurers		**(1,370)**	(15,116)
Net claims incurred		**864,949**	892,258
Claims expense		**142,344**	126,871
Loss prevention/Road safety		**12,658**	11,538
Total Claims Costs		**1,019,951**	1,030,667
Expenses			
Operating		**75,291**	76,124
Commissions		**45,683**	40,233
Premiums taxes		**35,742**	31,183
Regulatory/Appeal		**4,932**	4,315
Total Expenses		**161,648**	151,855
Underwriting income (loss)		**23,471**	(131,019)
Investment income	*3*	**107,249**	208,511
Gain on disposal of property and equipment		**(10)**	1,345
Net income from operations		**130,710**	78,837

Statement of Comprehensive Income (Loss)

For the periods ended (in thousands of Canadian dollars)	Notes	13 months ended March 31 2020	12 months ended February 28 2019
Net income from operations		**130,710**	78,837
Other Comprehensive Income	*15&20*		
Items that will not be reclassified to income			
Remeasurement of Employee Future Benefits		**16,823**	3,382
Items that will be reclassified to income			
Unrealized gains (losses) on Available for Sales asset		(23,750)	1,878
Reclassification of net realized losses (gains) related to Available for Sale assets		**32,752**	(105,250)
Net unrealized gain (loss) on Available for Sale assets		9,002	(103,372)
Other Comprehensive (Loss) for the period		25,825	(99,990)
Total Comprehensive Income (Loss)		**156,535**	(21,153)

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

Manitoba Public Insurance
Universal Compulsory Automobile Insurance

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Equity
Balance as at March 1, 2018	170,975	39,870	210,845
Net income from operations for the year	78,837	-	78,837
Other comprehensive loss for the year	-	(99,990)	(99,990)
Transfer between Non-Basic Retained Earnings and Basic Retained Earnings (Note 19)	60,000	-	60,000
Balance as at February 28, 2019	**309,812**	**(60,120)**	**249,692**
Net income from operations for the year	**130,710**	**-**	**130,710**
Other comprehensive loss for the year	**-**	**25,825**	**25,825**
Transfer between Non-Basic Retained Earnings and Basic Retained Earnings (Note 19)	**-**	**-**	**-**
Balance as at March 31, 2020	**440,522**	**(34,295)**	**406,227**

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

Manitoba Public Insurance
Universal Compulsory Automobile Insurance

Statement of Cash Flows

For the periods ended (in thousands of Canadian dollars)	*Notes*	**13 months ended March 31 2020**	12 months ended February 28 2019
Cash Flows from (to) Operating Activities:			
Net income from operations		**130,710**	78,837
Non-cash items:			
Depreciation of property and equipment		**5,120**	3,754
Amortization of deferred development costs		**15,937**	20,073
Amortization of bond discount and premium		**6,496**	3,553
Gain on sale of investments		**(89,140)**	(111,883)
Unrealized gain on Fair Value Through Profit or Loss bonds		**(23,978)**	(8,719)
Unrealized gain on pooled real estate fund		**50,977**	(17,444)
Unrealized gain on infrastructure investments		**(7,708)**	(9,372)
(Gain) loss on disposal of property and equipment		10	(1,345)
Impairment of Available for Sale investments		**42,676**	-
Impairment of deferred development costs		**1,380**	2,795
		132,480	(39,751)
Net change in non-cash balances:			
Due from other insurance companies		**1,114**	(1,493)
Accounts receivable and prepaid expenses		**15,949**	(32,893)
Deferred policy acquisition costs		**(19,519)**	(6,063)
Reinsurers' share of unearned premiums and unpaid claims		**3,391**	(7,194)
Due to other insurance companies		**(1,471)**	1,925
Accounts payable and accrued liabilities		**(20,229)**	30,955
Unearned premiums and fees		**26,290**	35,327
Provision for employee current benefits		**1,115**	465
Provision for employee future benefits		**10,778**	13,518
Provision for unpaid claims		**55,411**	169,858
		72,829	204,405
		205,309	164,654
Cash Flows from (to) Investment Activities:			
Purchase of investments		**(1,296,802)**	(1,008,653)
Proceeds from sale of investments		**1,124,034**	888,473
Acquisition of property and equipment net of proceeds from disposals		**(2,641)**	(2,112)
Lease obligations		**1,155**	(44)
Deferred development costs incurred		**(6,365)**	(13,371)
		(180,619)	(135,707)
Cash Flows from Financing Activities:			
Transfer from Non-Basic Retained Earnings		**-**	60,000
Increase in Cash and Cash Equivalents		**24,690**	88,947
Cash and cash equivalents beginning of year		**161,945**	72,998
Cash and Cash Equivalents end of year		**186,635**	161,945
Supplemental cash flow information:			
Interest received		**81,787**	47,320
Dividends received		**16,904**	14,212

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

Notes to Financial Statements

March 31, 2020

1. Basis of Reporting

Under the provisions of *The Manitoba Public Insurance Corporation Act* and regulations, the Manitoba Public Insurance Corporation (the Corporation) operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobiles insurance division includes the Basic Universal Compulsory Automobile Insurance (Basic Insurance line of business), Extension and Special Risk Extension coverages. These financial statements represent the Basic Insurance line of business only.

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 Non-Basic lines of business consist of extension, special risk coverages and *The Drivers and Vehicles Act* operations.

The Basic Insurance line of business rates are approved by the Public Utilities Board of Manitoba (Note 27).

The address of the Corporation's registered office is 234 Donald Street, Winnipeg, Manitoba.

Statement of Compliance

In April 2019, Manitoba Public Insurance Corporation's board approved a change to the Corporations fiscal year-end from February 28 to March 31 as directed by the provincial government to coincide with the Government of Manitoba and other Provincial Crown Corporations. These financial statements represent the first complete fiscal period subsequent to this direction. The current fiscal period includes the 13 months ending March 31, 2020, with comparative financial statements for the 12 months ended February 28, 2019. As a result, information contained in these financial statements may not be entirely comparable. The financial statements of the Basic Insurance line of business for the periods ended March 31, 2020 and February 28, 2019, have been prepared in accordance with IFRS. References to IFRS are based on Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises as set out in Part 1 of the CPA Canada handbook. Part 1 of the CPA Canada handbook incorporates IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The financial statements were authorized for issue by the Board of Directors on July 22, 2020.

The allocation formulas approved by the Corporation's Board of Directors are as follows:

Allocation of Assets, Liabilities and Basic Insurance Retained Earnings
Assets and liabilities are allocated to the Basic Insurance line of business on the following basis:

i. Identifiable direct assets and liabilities are allocated directly to the Basic Insurance line of business.
ii. Other assets and liabilities are allocated to the Basic Insurance line of business bases on factors such as premiums written ratios, expense ratios and claims incurred ratios.

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 Basic Insurance line of business on factors such as premiums written ratios, expense allocation ratios and investment income allocation ratios. The formulas developed for the allocation of service fees and other revenue are approved by the Board of Directors.

For investment income, the previously co-mingled investment portfolio has been segregated, as of March 1, 2019, into new portfolios to uniquely match the various lines of business and employee future benefits obligations. On and after March 1, 2019, investment income attributable to the Basic Insurance line of business is equal to:

i. 100% of Basic Claims investment income and other comprehensive income (loss)
ii. 100% of Basic Rate Stabilization Reserve investment income and other comprehensive income (loss)
iii. A portion of the Corporate Employee Future Benefits investment income and other comprehensive income (loss) allocated to the Basic Insurance line of business based on the Payroll Ratio.

Prior to March 1, 2019, investment income is allocated to the Basic Insurance line of business based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the Basic Insurance line of business 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 Basic Insurance 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.

Appointment of External Actuary

The external actuary is appointed by the Board of Directors of the Corporation. 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 report thereon to the Corporation's Board of Directors. Insurance contract liabilities include unearned premiums and unpaid claims and adjustment expenses.

The Appointed Actuary also uses the work of the external auditors in their verification of the information prepared by the Corporation used in the valuation of the insurance contract liabilities.

Appointment of External Auditors

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the Appointed Actuary and their report on the Corporation's insurance contract liabilities. The external auditors' report outlines the scope of their audit and their opinion.

Basis of Presentation

The Basic Insurance line of business presents its Statement of Financial Position 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, reinsurers' share of unpaid claims, accounts payable and accrued liabilities, unearned premiums and fees and provision for employee current benefits.

The following balances are generally classified 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 except as otherwise specified.

Seasonality

The automobile insurance business, which reflects the primary business of the Basic Insurance line of business, 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 fiscal year and lowest in the fourth quarter of each fiscal year. This is driven mainly by weather conditions which may vary significantly between quarters.

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 2. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value) as explained in Note 2.

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 social 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, 2020. 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, 2020. As a result of this significant estimation uncertainty there is a risk that the assumptions used as at March 31, 2020 may change as more information becomes available, resulting in a material adjustment to reported amounts in future reporting periods.

2. 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 March 1, 2019, the Corporation adopted the following new and amended accounting standards:

IFRS 16 – Leases

IFRS 16, *Leases* was issued in January, 2016 and is intended to replace IAS 17, *Leases* and related IFRICs. The standard was issued as a result of a joint project with the U.S. Financial Accounting Standards Board. The standard provides a single lessee accounting model whereby a lessee recognizes a right-of-use asset and a lease liability for all leases. A lessee may elect to apply an exemption to the standard for leases with a term of 12 months or less that contain no purchase options; or leases where the underlying asset has a low value. The Corporation has adopted this standard effective March 1, 2019 under the modified retrospective approach, and accordingly, has not restated comparatives for the 2018/19 reporting period.

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases, which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate (5.95% as at March 1, 2019). Additionally, the Corporation used the transitional practical expedient on its existing finance lease such that the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 was equal to the carrying amount of the lease asset and lease liability immediately before March 1, 2019 measured applying IAS 17. As a result of this accounting change, the impact to Basic Insurance was: right-of-use assets increased by $1.2M and the lease obligation related to those assets increased by $1.2M.

Right-of-use assets are disclosed in Note 7 and further disclosure on the impacts of IFRS 16 *Leases* adoption is in Note 11 and Note 12.

IAS 19 – Employee Benefits
In February 2018 the IASB issued an amendment to IAS 19, *Employee Benefits* that clarifies that if a plan amendment, curtailment or settlement occurs, it will be mandatory that the current service cost and the net interest for the period after the remeasurement be determined using the assumptions used in the remeasurement. The amendments also clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Corporation has adopted these amendments on March 1, 2019, and has determined there were no significant impacts to the financial statements.

Annual Improvements
In December 2017, the IASB issued Annual Improvements Cycle 2015-2017, and included minor amendments to IFRS 3, *Business Combinations,* IFRS 11, *Joint Arrangements,* IAS 12, *Income Taxes,* and IAS 23, *Borrowing Costs.* The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The amendments issued are all effective for annual periods beginning on or after January 1, 2019. The Corporation has adopted these amendments on March 1, 2019, and has determined there were no material impacts to the 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 being 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 OCI until the asset is disposed of, or has become impaired. As long as an AFS 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 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 and are designated as AFS.

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 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.

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.

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; and
- Lease obligations (financing lease obligation prior to March 1, 2019) which is a non-current liability, payable over the life of the lease.

The carrying value of the Corporation's financial liabilities approximates 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 bid prices for financial assets. Cash equivalent investments comprise investments due to mature within 90 days from the date of purchase and are carried at fair value. Refer to Note 3 for further information on the fair value of financial instruments.

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. Depreciation of construction in progress will begin, in accordance with the above policy, when construction has been completed. 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 has considered the intended use of the property, the ability to sell the property, and the ability of the Corporation to lease the property or a portion of the property under a lease. As a result of the adoption of IFRS 16 *Leases*, prior to March 1, 2019, the Corporation considered the intended use of the property, the ability to sell the property, and the ability of the Corporation to lease the property or a portion of the property under a finance lease.

The Corporation's investment property, which is property held 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 every other year. The fair value disclosed is based on the most recent valuation which was conducted for February 28, 2019. 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, 2020.

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:

- HVAC systems 20 years
- roofing systems 30 years
- elevators/escalators 30 years
- buildings 40 years

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 investment property is deemed available for use. Land is not subject to depreciation and is carried 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 shorter, 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

Effective March 1, 2019, the Corporation adopted IFRS 16 *Leases*. Below is a discussion of the current accounting policy, and the accounting policy applicable before March 1, 2019.

Policy applicable on and after March 1, 2019

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.

Policy applicable prior to March 1, 2019

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Manitoba Public Insurance as a Lessor

Manitoba Public Insurance leases retail, office and parking space in Cityplace properties, a building 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. There is no significant impacts to the financial statements to the leases where the Corporation acts as the lessor as a result of the adoption of IFRS 16 *Leases*, on March 1, 2019.

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 trade 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.

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 values its pension benefit plan annually, the most recent valuation is at December 31, 2019. Roll-forward procedures are performed to ensure that the December 31, 2019 valuation is a reliable estimate of the valuation at March 31, 2020.

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 Generally Accepted Accounting Principles (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 IBNR. Claims and adjustment expenses are charged to income 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.

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) from operations 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 application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 establishes an 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. Management estimates the expected period of benefit over which capitalized costs will be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and customer service requirements, as well as historical experience and internal plans for the projected use of the information systems.

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 17.

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 15 for further details of the significant estimates and changes impacting the current period financial statements.

Fair Value of Level Three AFS and FVTPL 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 3 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 January 1, 2020 or later periods. 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 qualified for a temporary exemption. However, further delays of IFRS 17 announced in November 2018 and March 2020 result in the availability of additional temporary exemptions of IFRS 9. The Corporation also qualified for this exemption. Thus, the amended IFRS 7 is effective for annual periods beginning on or after January 1, 2023. The Corporation is currently evaluating the impact that this standard will have on its financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018. The standard provides guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39. The standard requires financial assets to be recorded at amortized cost or fair value depending on the Corporation'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 Statement of Financial Position if they are not measured at amortized cost. IFRS 9 allows financial assets or financial liabilities not classified as amortized cost to be recognized as FVTPL or as fair value through OCI (FVOCI).

At initial recognition, the Corporation may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. For equity investments measured at FVOCI, dividends that do not clearly represent a return of investment are recognized in net income (loss) under investment income. Other gains and losses associated with such instruments remain in AOCI indefinitely.

The standard introduces an expected credit loss model, which applies to all financial assets unless designated or classified as FVTPL. This impairment model requires a 12 month expected credit loss provision at initial recognition. Subsequently, a significant increase to credit risks of a financial asset will result in an increase of the impairment provision to the financial asset's lifetime expected credit loss. In the event that significant credit risks are reduced, the impairment model allows for the provision to return to the financial asset's 12 month expected credit loss. Changes in the impairment provision will flow through the Statement of Operations.

Requirements for financial liabilities were added in October 2010 which largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated as FVTPL would generally be recorded in OCI. This standard also replaces the rule-based hedge accounting requirements in IAS 39 to more closely align the accounting with risk management activities.

In September 2016, the IASB issued amendments to IFRS 4 to address concerns regarding the different effective dates of IFRS 9 and the forthcoming new insurance contract standard IFRS 17.

Entities that issue insurance contracts within the scope of IFRS 4 will be provided with two options, the overlay and the deferral approaches. The overlay approach will permit insurers to exclude from net income (loss) and recognize in OCI the difference between the amounts that would be recognized in net income (loss) in accordance with IFRS 9 and the amounts recognized in net income (loss) in accordance with IAS 39. The deferral approach will allow insurers whose activities are predominantly connected with insurance the option to temporarily defer adoption of IFRS 9 until annual periods beginning on or after January 1, 2023.

The IASB considers entities with a "predominance ratio" greater than 90 per cent or greater than 80 per cent and the entities do not engage in significant activity unconnected with insurance at December 31, 2015 to qualify for the deferral approach. The Corporation exceeded the 80 per cent ratio at that date and does not engage in significant activity unconnected with insurance, and as a result will apply the deferral approach.

Under the deferral approach, financial assets must be classified based on their contractual cash flow characteristics. Financial assets may give rise to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal amount. Principal generally refers to the fair value of a financial asset at the time of initial recognition. Interest refers to consideration for the time value of money along with credit risk associated with the principal amount outstanding over time, however interest could also include consideration for other basic lending risks, costs and profit margin.

Financial assets may be managed on a fair value basis. Managed on a fair value basis refers to the objective of realizing changes in fair values through regular trading activity, where the collection of contractual cash flows is incidental, not integral to this objective.

IFRS 9 provides an irrevocable election at initial recognition to classify particular financial assets as FVTPL or FVOCI. The Corporation is evaluating the impact these elections will have on the financial statements.

The fair values of the Corporation's financial assets based on contractual cash flow characteristics can be seen in Note 3.

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. The premium allocation approach is permitted for the liability for remaining coverage on contracts with a duration of one year or less. 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.

IFRS 17 is effective for annual reporting periods beginning on or after 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. Early application is permitted where entities have also adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The Corporation is currently evaluating the impact that this standard will have on its financial statements.

Annual Improvements

The annual improvements process is used to make necessary but non-urgent changes to IFRSs that are not included in other projects.

In May 2019, the IASB issued an exposure draft for the Annual Improvements Cycle 2018-2020, and included minor proposed amendments to IFRS 1 *First-time Adoption of International Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*. The IASB is expected to issue these IFRS amendments in mid-2020. The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The effective date for the proposed amendments issued will be decided by the IASB after they are issued. The Corporation is evaluating the impact these proposed amendments will have on its financial statements.

Conceptual Framework for Financial Reporting

In March 2018, the IASB revised its conceptual framework for financial reporting. The revised framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance, and clarifications on important topics (e.g., the roles of stewardship, prudence, and measurement uncertainty in financial reporting). The IASB has also issued amendments that update references to the framework in certain standards. The amendments are effective for annual periods beginning on or after January 1, 2020. The Corporation is currently evaluating the impact these amendments will have on its financial statements.

3. Cash, Cash Equivalents, and Investments

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

Cash equivalent investments have a total principal amount of $107.4 million (February 28, 2019 – $157.4 million) comprised of provincial short-term deposits with effective interest rates of 0.64 per cent (February 28, 2019 – 1.60 per cent), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million (February 28, 2019 - $5.0 million). The unsecured operating line of credit remained unutilized at March 31, 2020 (February 28, 2019 – nil).

Cash, Cash Equivalents and Investments

	Financial Instruments				
As at March 31, 2020 (in thousands of Canadian dollars)	Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carrying Value
Cash and cash equivalents	186,635	-	-	-	186,635
Bonds					
Federal	-	-	32,908	-	32,908
Manitoba:					
Provincial	5,835	-	123,198	-	129,033
Municipal	-	22,391	33,832	-	56,223
Schools	-	497,462	-	-	497,462
Other provinces:					
Provincial	75,118	-	853,863	-	928,981
Municipal	-	-	74,220	-	74,220
Corporations	98,980	-	379,663	-	478,643
	179,933	519,853	1,497,684	-	2,197,470
Private Debt	79,688	-	-	-	79,688
Infrastructure	-	-	77,316	-	77,316
Equity investments	218,695	-	-	-	218,695
Pooled real estate fund	-	-	75,831	-	75,831
Investments	478,316	519,853	1,650,831	-	2,649,000
Investment property	-	-	-	20,969	20,969
Total	664,951	519,853	1,650,831	20,969	2,856,604

Financial Instruments

As at February 28, 2019 (in thousands of Canadian dollars)	Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carrying Value
Cash and cash equivalents	161,945	-	-	-	161,945
Bonds					
Federal	-	-	25,123	-	25,123
Manitoba:					
Provincial	-	-	108,805	-	108,805
Municipal	-	21,110	27,681	-	48,791
Schools	-	466,798	-	-	466,798
Other provinces:					
Provincial	-	-	887,521	-	887,521
Municipal	-	-	55,518	-	55,518
Corporations	-	-	98,103	-	98,103
	-	487,908	1,202,751	-	1,690,659
Other investments	323	-	-	-	323
Infrastructure	-	-	95,696	-	95,696
Equity investments	397,286	-	-	-	397,286
Pooled real estate fund	-	-	242,082	-	242,082
Investments	397,609	487,908	1,540,529	-	2,426,046
Investment property	-	-	-	41,892	41,892
Total	559,554	487,908	1,540,529	41,892	2,629,883

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

As at March 31, 2020 (in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/Losses**	**Fair Value**
Equity Investments			
With unrealized gains	**111,059**	**-**	**111,059**
With unrealized losses	**108,241**	**(605)**	**107,636**
Subtotal - Equity Investments	**219,300**	**(605)**	**218,695**
Bonds			
With unrealized gains	**126,567**	**739**	**127,306**
With unrealized losses	**53,420**	**(793)**	**52,627**
Subtotal - Bonds	**179,987**	**(54)**	**179,933**
Private Debt			
With unrealized gains	**79,688**	**-**	**79,688**
Subtotal - Private Debt	**79,688**	**-**	**79,688**
Total AFS Equity and Other Investments	**478,975**	**(659)**	**478,316**

As at February 28, 2019 (in thousands of Canadian dollars)	Book Value	Unrealized Gains/Losses	Fair Value
Equity Investments			
With unrealized losses	400,020	(2,734)	397,286
Subtotal - Equity Investments	400,020	(2,734)	397,286
Other Investments			
With unrealized gains	268	55	323
Allocation adjustment*	(7)	7	-
Subtotal - Other Investments	261	62	323
Total AFS Equity and Other Investments	400,281	(2,672)	397,609

* In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

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.

No investments were transferred between levels in 2020 or 2019.

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, 2020 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	11,356	1,471,689	14,639
Private Debt	-	-	-
Infrastructure	-	-	77,316
Pooled real estate fund	-	75,831	-
Total FVTPL financial assets	11,356	1,547,520	91,955
AFS financial assets			
Cash and cash equivalents	186,635	-	-
Bonds	-	179,933	-
Private Debt		79,688	
Equity investments	-	218,695	-
Total AFS financial assets	186,635	478,316	-
Total assets measured at fair value	197,991	2,025,836	91,955

As at February 28, 2019 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	-	1,190,518	12,233
Infrastructure	-	-	95,696
Pooled real estate fund	-	242,082	-
Subtotal - FVTPL financial assets	-	1,432,600	107,929
AFS financial assets			
Cash and cash equivalents	161,945	-	-
Other investments	-	-	323
Equity investments	397,286	-	-
Subtotal - AFS financial assets	559,231	-	323
Total assets measured at fair value	559,231	1,432,600	108,252

Fair value measurement of instruments included in Level 3

	FVTPL		AFS	
(in thousands of Canadian dollars)	**March 31 2020**	February 28 2019	**March 31 2020**	February 28 2019
Balance at March 1	**107,929**	97,760	**323**	1,154
Total gains/(losses)				
Included in net income	**8,030**	9,332	**-**	-
Included in OCI	**-**	-	**-**	(762)
Purchases	**-**	26,288	**-**	-
Sales	**-**	(24,662)	**-**	(73)
Return of capital	**(404)**	(768)	**-**	-
Allocation adjustment*^	**(23,600)**	(21)	**(323)**	4
Balance at period ended	**91,955**	107,929	**-**	323

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value. As of March 31, 2020, the fair value of municipal, utilities, schools and hospital bonds held to maturity is $519.9 million (February 28, 2019 - $487.9 million).

* In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

^ A portion of the allocation adjustment is due to the changes resulting from the work completed in a recent asset-liability study. As a result, a number of significant changes where implemented, which better align portfolio objectives with the underlying characteristics of the liabilities which the portfolios support. The previously co-mingled portfolio has been segregated into five new portfolios to uniquely match the various lines of business and employee future benefits obligations. The result of the new portfolio construction and target asset allocations is a tighter matching of assets to liabilities and a reduction in overall risk which supports the Corporation's objective of managing volatility and delivering rate stability.

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. There were no investment impairments recorded in 2018/19. For 2019/20, impaired investments included in the Corporation's portfolio include the following:

As at March 31, 2020 (in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Bonds	**104,008**	**(5,028)**	**98,980**
Equities	**143,587**	**(32,654)**	**110,933**
Private Debt	**84,682**	**(4,994)**	**79,688**
Total	**332,277**	**(42,676)**	**289,601**

Investment Income

(in thousands of Canadian dollars)	13 months ended March 31 2020	12 months ended February 28 2019
Interest income	**73,727**	47,636
Gain on sale of FVTPL bonds	**22,286**	5,457
Unrealized gain on FVTPL bonds	**23,978**	8,719
Unrealized gain (loss) on pooled real estate fund	**(50,977)**	17,444
Dividends on infrastructure investments	**2,528**	2,161
Realized gain on instrastructure investments	**-**	1,614
Unrealized gain on infrastructure investments	**7,708**	9,372
Foreign exchange gain (loss) on infrastructure investments	**(10)**	21
Dividend income	**6,522**	11,775
Gain on sale of equities and other investments	**8,039**	104,825
Gain (loss) on foreign exchange	**560**	(34)
Income from investment property	**1,084**	3,098
Realized gain on pooled real estate fund	**58,265**	-
Impairment of AFS investments	**(42,676)**	-
Investment management fees	**(3,785)**	(3,577)
Total	**107,249**	208,511

Investment income is net of investment management fees paid to the Department of Finance in the amount of $3.8 million (February 28, 2019 - $3.6 million). This includes $3.4 million (February 28, 2019 - $2.3 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 Principle 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, 2020 (in thousands of Canadian dollars)	**Fair Value**	**Change in Fair Value During the Year**
SPPI	**2,205,875**	**48,523**
Other	**668,107**	**67,051**
Total	**2,873,983**	**115,574**

As at February 28, 2019 (in thousands of Canadian dollars)	Fair Value	Change in Fair Value During the Year
SPPI	1,848,015	21,718
Other	739,976	150,387
Total	2,587,991	172,105

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, 2020 (in thousands of Canadian dollars)	**Fair Value**	**Carrying Value**
Aaa	**209,193**	**209,193**
Aa	**1,341,319**	**1,341,319**
A	**326,661**	**326,661**
Baa	**219,618**	**219,618**
Ba2	**1,699**	**1,699**
Not rated	**107,385**	**107,385**
Total	**2,205,875**	**2,205,875**

As at February 28, 2019 (in thousands of Canadian dollars)	Fair Value	Carrying Value
Aaa	171,071	171,072
Aa	1,418,108	1,418,108
A	90,599	90,598
Baa	10,881	10,881
Not rated	157,356	157,355
Total	1,848,015	1,848,014

4. Investment Property – Non-Financial Instruments

(in thousands of Canadian dollars)	Cityplace Building*	Surface Parking Lot	Parkade	Total
Cost				
Balance at March 1, 2018	27,589	888	13,826	42,303
Additions	8,519	-	-	8,519
Allocation adjustment**	7	-	4	11
Balance at February 28, 2019	36,115	888	13,830	50,833
Additions	**477**	-	-	**477**
Allocation adjustment**^	**(17,954)**	(440)	**(6,875)**	**(25,269)**
Balance at March 31, 2020	**18,638**	**448**	**6,955**	**26,041**
Accumulated Depreciation				
Balance at March 1, 2018	5,865	-	1,718	7,583
Depreciation	1,053	-	305	1,358
Balance at February 28, 2019	6,918	-	2,023	8,941
Depreciation	**409**	-	**166**	**575**
Allocation adjustment**^	**(3,439)**	-	**(1,005)**	**(4,444)**
Balance at March 31, 2020	**3,888**	-	**1,184**	**5,072**
Carrying Amounts				
At February 28, 2019	29,197	888	11,807	41,892
At March 31, 2020	**14,750**	**448**	**5,771**	**20,969**
Fair Value at March 31, 2020***	**17,905**	**1,882**	**9,539**	**29,326**

*Includes the portion of the Cityplace building not used for administrative purposes as well as tenant improvements.

**In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

^ A portion of the allocation adjustment is due to the changes resulting from the work completed in a recent asset-liability study. As a result, a number of significant changes where implemented, which better align portfolio objectives with the underlying characteristics of the liabilities which the portfolios support. The previously co-mingled portfolio has been segregated into five new portfolios to uniquely match the various lines of business and employee future benefits obligations. The result of the new portfolio construction and target asset allocations is a tighter matching of assets to liabilities and a reduction in overall risk which supports the Corporation's objective of managing volatility and delivering rate stability.

***The fair value of Cityplace and adjacent parking lots are determined using appraisals performed by an external valuator on a bi-annual basis. The last appraisals conducted were as at January 2019.

5. Due From Other Insurance Companies

(in thousands of Canadian dollars)	**13 months ended March 31 2020**	12 months ended February 28 2019
Balance at March 1	**1,495**	2
Claims paid ceded to reinsurers	**4,761**	7,922
Less: recovery from reinsurers	**(5,875)**	(6,429)
Balance at period ended	**381**	1,495

6. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	Premium Taxes	Commissions	Writedown	Total
Balance at March 1, 2018	14,058	17,997	(32,055)	-
Deferred during the year	32,116	40,733	4,138	76,987
Expensed during the year	(31,183)	(39,741)	-	(70,924)
Balance at February 28, 2019	14,991	18,989	(27,917)	6,063
Deferred during the year	**37,178**	**46,359**	**17,406**	**100,943**
Expensed during the year	**(35,741)**	**(45,683)**	**-**	**(81,424)**
Balance at March 31, 2020	**16,428**	**19,665**	**(10,511)**	**25,582**

Premium deficiencies are recognized first by writing down deferred policy acquisition costs with any remainder recognized as a liability within the claims provision.

7. 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 March 1, 2018	105,263	24,223	10,270	1,479	141,235
Additions	-	2,477	-	673	3,150
Disposals	(2,108)	(927)	-	-	(3,035)
Transfers from (out of) Property under Construction	1,372	393	-	(1,765)	-
Allocation adjustment	1,242	150	123	5	1,520
Balance at February 28, 2019	105,769	26,316	10,393	392	142,870
IFRS 16 Transition Adjustment	-	-	1,229	-	1,229
Additions	-	304	1,180	1,089	2,573
Disposals	-	(2,176)	-	-	(2,176)
Transfers from (out of) Property under Construction	68	354	-	(422)	-
Allocation adjustment*	237	3	22	48	310
Balance at March 31, 2020	**106,074**	**24,801**	**12,824**	**1,107**	**144,806**
Accumulated Depreciation					
Balance at March 1, 2018	28,976	20,947	2,032	-	51,955
Disposals	(1,514)	(541)	-	-	(2,055)
Depreciation expense	2,315	1,179	260	-	3,754
Allocation adjustment	347	(138)	24	-	233
Balance at February 28, 2019	30,124	21,447	2,316	-	53,887
Disposals	-	(2,151)	-	-	(2,151)
Depreciation expense	2,497	1,600	448	-	4,545
Allocation adjustment*	93	(43)	10	-	60
Balance at March 31, 2020	**32,714**	**20,853**	**2,774**	**-**	**56,341**
Carrying Amounts					
At February 28, 2019	75,645	4,869	8,077	392	88,983
At March 31, 2020	**73,360**	**3,948**	**10,050**	**1,107**	**88,465**

(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) 2018/19 figures are "Buildings under finance lease" accounted for under IAS 17 *Leases*. 2019/20 figures are "Right-of-Use Assets" including Land & Buildings accounted for under IFRS 16 *Leases*. Refer to Note 11 for the corresponding lease obligations. The below right-of-use assets are in the property and equipment table, totaling the "Right-of-Use Assets" column (A: 1284 Main Street – Building portion; B: 1284 Main Street – Land portion; C: Brandon - Royal Canadian Legion Branch #3 Building):

(in thousands of Canadian dollars)	A	B	C	Total
Right-Of-Use Assets				
Balance at February 28, 2019	10,393	-	-	10,393
IFRS 16 Transition Adjustment	**-**	**1,209**	**20**	**1,229**
Additions	**1,180**	**-**	**-**	**1,180**
Allocation adjustment*	**20**	**2**	**-**	**22**
Balance at March 31, 2020	**11,593**	**1,211**	**20**	**12,824**

(4) Includes renovations to service centres roof, lighting, and security systems.

* In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

8. Deferred Development Costs

(in thousands of Canadian dollars)	**Internally Developed Intangible Assets**
Cost	
Balance at March 1, 2018	160,524
Additions	13,371
Impairments	(2,795)
Allocation Adjustment*	(13)
Balance at February 28, 2019	171,087
Additions	**6,365**
Impairments	**(1,380)**
Balance at March 31, 2020	**176,072**
Accumulated Depreciation	
Balance at March 1, 2018	105,101
Amortization	20,073
Allocation Adjustment*	(13)
Balance at February 28, 2019	125,161
Amortization	**15,937**
Allocation Adjustment*	**10**
Balance at March 31, 2020	**141,108**
Carrying Amounts	
At February 28, 2019	45,926
At March 31, 2020	**34,964**

* In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

Deferred development costs of $1.7 million (February 28, 2019 - $9.8 million) have not yet been put into use and are currently not being amortized. Impairments of $1.4 million (February 28, 2019 – $2.8 million) were recognized during the period and have been recorded in claims expense, loss prevention/road safety expense and operating expense on the Statement of Operations.

9. Due to Other Insurance Companies

(in thousands of Canadian dollars)	**13 months ended March 31 2020**	**12 months ended** February 28 2019
Balance at March 1	**2,066**	141
Change in amounts received as collateral for reinsurers' share of unpaid claims	**(1,471)**	1,925
Balance at period ended	**595**	2,066

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**13 months ended March 31 2020**	12 months ended February 28 2019
Due to the Province of Manitoba	**786**	331
Payroll	**5,130**	3,294
Broker commissions	**3,360**	3,066
Provision for fleet rebates	**16,542**	16,068
Premium taxes	**9,056**	37,211
Other payables and accrued liabilities	**15,179**	10,312
Balance at period ended	**50,053**	70,282

11. Lease Obligation

Transition to IFRS 16 Leases

The Corporation adopted IFRS 16 *Leases* using the modified retrospective approach effective March 1, 2019. Accordingly, comparative amounts are not restated: the 2018/19 figures disclosed below are in accordance with IAS 17 *Leases* and the lease obligation disclosed for the comparative period refers specifically to a finance lease obligation. The 2019/20 figures disclosed below are in accordance with IFRS 16 *Leases*.

Existing contracts as at March 1, 2019 were not reassessed for existence of a lease.

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 period ended March 31, 2020, $223 thousand was recognized as an expense for short-term and low value leases (February 28, 2019 - nil).

Lease Obligations

There were no vehicle leases as of March 31, 2020. None of the leases are subleased and no contingent rent is payable for any of the 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. Adoption of IFRS 16 *Leases* resulted in capitalizing the right-of-use asset for the land portion of the Main Street Lease as well a building in Brandon, MB for which the Corporation has a lease agreement. The total IFRS 16 transition adjustment to recognize these lease obligations totaled $1.2 million.

The details of the lease obligations are as follows:

Main Street - Building Lease

(in thousands of Canadian dollars with the exception of interest rates)	**March 31 2020**	February 28 2019
Interest rate	**6.70%**	6.70%
Interest rate expense for the year	**306**	209
Lease obligations at year end	**4,263**	3,081

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**March 31 2020**	February 28 2019	**March 31 2020**	February 28 2019
Not later than one year	**305**	313	**294**	302
Later than one year and not later than five years	**1,221**	1,216	**1,000**	1,064
Later than five years	**8,825**	3,568	**2,969**	2,506
Total	**10,351**	5,097	**4,263**	3,872

Main Street – Land Lease

(in thousands of Canadian dollars with the exception of interest rates)	**March 31 2020**	February 28 2019*
Interest rate	**5.95%**	-
Interest rate expense for the year	**70**	-
Lease obligations at year end	**1,199**	-

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**March 31 2020**	February 28 2019*	**March 31 2020**	February 28 2019*
Not later than one year	**79**	-	**77**	-
Later than one year and not later than five years	**316**	-	**266**	-
Later than five years	**2,284**	-	**856**	-
Total	**2,679**	-	**1,199**	-

Brandon - Royal Canadian Legion Branch #3

(in thousands of Canadian dollars with the exception of interest rates)	**March 31 2020**	February 28 2019*
Interest rate	**5.95%**	-
Interest rate expense for the year	**1**	-
Lease obligations at year end	**13**	-

The minimum lease payments are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
(in thousands of Canadian dollars)	**March 31 2020**	February 28 2019*	**March 31 2020**	February 28 2019*
Not later than one year	**7**	-	**7**	-
Later than one year and not later than five years	**7**	-	**6**	-
Total	**14**	-	**13**	-

* There was no lease obligation under IAS 17 *Leases* reporting.

12. Operating Leases

As A Lessee:

As the Corporation has adopted IFRS 16 *Leases*, effective March 1, 2019, the Corporation did not recognize any operating leases as a lessee in the period ending March 31, 2020. Under the new accounting policy, with exception to short term or low value leases, each lease has a lease liability and corresponding right-of-use asset recognized. Lease obligations are disclosed in Note 11.

In the comparative period, IAS 17 *Leases* was the applicable accounting policy, and accordingly, during the year ended February 28, 2019, $305 thousand was recognized as an expense for operating leases in the Statement of Operations.

As A Lessor:

The Corporation is not required to make any adjustments on transition to IFRS 16 *Leases* in which it acts as a lessor, except for sub-leases. None of the leases in which the Corporation acts as a lessor are sub-leased.

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 uses approximately 60 per cent of the building for administrative purposes and leases out the remaining 40 per cent. Tenant improvements are 100 per cent investment property and therefore do not factor into the calculation.

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

(in thousands of Canadian dollars)	**March 31 2020**	February 28 2019
Not later than one year	**1,167**	2,322
Later than one year and not later than five years	**3,075**	5,820
Later than five years	**2,575**	5,489
Total	**6,817**	13,631

During the period ended March 31, 2020, income from investment property includes gross rental income from operating leases of $6.1 million (February 28, 2019 - $12.9 million) and gross rental expenses pertaining to operating leases of $4.9 million (February 28, 2019 - $9.8 million). Included in rental income is income contingent on retail sales of $130 thousand (February 28, 2019 - $247 thousand).

13. Unearned Premiums and Fees

		2020	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Unearned premiums			
Balance at March 1	**499,704**	**-**	**499,704**
Premiums written	**1,239,263**	**15,441**	**1,223,822**
Premiums earned	**(1,191,381)**	**(15,441)**	**(1,175,940)**
Balance at March 31	**547,586**	**-**	**547,586**
Prepaid premiums	**16,528**	**-**	**16,528**
Unearned fees	**5,592**	**-**	**5,592**
Balance at March 31	**569,706**	**-**	**569,706**

		February 28 2019	
(in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Unearned premiums			
Balance at March 1	468,613	-	468,613
Premiums written	1,070,528	12,502	1,058,026
Premiums earned	(1,039,437)	(12,502)	(1,026,935)
Balance at February 28	499,704	-	499,704
Prepaid premiums	38,586	-	38,586
Unearned fees	5,126	-	5,126
Balance at February 28	543,416	-	543,416

14. Provision for Employee Current Benefits

The provision for employee current benefits includes accrued vacation and sick leave liabilities.

(in thousands of Canadian dollars)	**13 months ended March 31 2020**	12 months ended February 28 2019
Balance at March 1	**17,098**	16,633
Provisions incurred	**13,441**	12,374
Payments	**(12,348)**	(12,024)
Allocation adjustment*	**22**	115
Balance at period ended	**18,213**	17,098

* In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

15. 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 actuarial valuation was conducted by an external actuary as at December 31, 2019, with the next scheduled actuarial valuation being December 31, 2020.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. 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 17.3 years (February 28, 2019 – 15.2 years). Results from the most recent actuarial valuations, projected to March 31, 2020 and the corresponding economic assumptions are as follows:

Assumptions:

	Pension Benefit Plan		**Other Benefit Plans**	
	March 31 2020	February 28 2019	**March 31 2020**	February 28 2019
Discount rate - actuarial valuation	**3.15%**	3.94%	**3.15%**	3.94%
Discount rate - period end date	**3.98%**	3.69%	**3.98%**	3.69%
Inflation rate	**1.80%**	1.70%	**N/A**	N/A
Expected salary increase	**0.00%**	2.00%	**N/A**	N/A
Expected health care cost increase (out of scope)	**N/A**	N/A	**4.70%**	5.50%
Expected health care cost increase (in scope)	**N/A**	N/A	**1.80%**	1.70%

Change in benefit obligations:

(in thousands of Canadian dollars)	Pension Benefit Plan March 31 2020	Pension Benefit Plan February 28 2019	Other Benefit Plans March 31 2020	Other Benefit Plans February 28 2019
Balance at March 1	**299,179**	291,941	**42,867**	39,969
Current service cost	**11,681**	10,935	**2,330**	3,232
Interest cost	**11,050**	10,598	**1,074**	839
Benefits paid	**(13,278)**	(11,230)	**(2,537)**	(3,605)
Remeasurement (gains) losses recognized in Other Comprehensive Income	**(13,198)**	(5,865)	**(3,625)**	2,483
Allocation adjustment*	**640**	2,800	**124**	(51)
Balance at period end	**296,074**	299,179	**40,233**	42,867
Employee contribution for the year	**8,610**	7,567	-	-

* In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

Funding

Prior to March 1, 2019, investment assets were managed as a consolidated portfolio and the Corporation established a provision against general assets, equal to the employee future benefits obligation.

At the beginning of the 2019/20 period, investment assets were split into five portfolios based on the liability characteristics of the Corporation's various lines of business and employee future benefits. For 2019/20 and thereafter, assets supporting the provision for future employee benefits will no longer be commingled with other investments. 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 allocated to the Basic Insurance line of business as at March 31, 2020 is as follows:

Employee Future Benefits Investment Portfolio

	March 31, 2020 Carrying Value (in thousands of Canadian dollars)	March 31, 2020 Percentage of Portfolio
Cash & Cash Equivalents	**462**	**0.1%**
Bonds	**62,962**	**18.4%**
Private Debt	**59,475**	**17.3%**
Equity Investment	**106,919**	**31.1%**
Pooled Real Estate	**57,041**	**16.6%**
Infrastructure	**56,665**	**16.5%**
Total	**343,524**	**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, from the EFB investment portfolio. 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 2020**	February 28 2019	**March 31 2020**	February 28 2019
Current service cost	**11,681**	10,935	**2,330**	3,232
Interest cost	**11,050**	10,598	**1,074**	839
Total	**22,731**	21,533	**3,404**	4,071

Sensitivity Analysis

Based on the December 31, 2019 actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan

Gain due to discount rate increasing from 3.15% to 3.65% (plus .50%)	(29,384)
Loss due to discount rate decreasing from 3.15% to 2.65% (minus .50%)	33,685
Loss due to mortality life expectancy at age 65 up one year	6,563
Loss due to inflation indexing (2/3rd COLA) increasing 1.00%	11,520
Gain due to inflation indexing (2/3rd COLA) decreasing from 1.00%	(11,163)

Other Benefit Plans

Gain due to discount rate increasing from 3.15% to 3.65% (plus .50%)	(406)
Loss due to discount rate decreasing from 3.15% to 2.65% (minus .50%)	469
Loss due to mortality life expectancy at age 65 up one year	67
Loss due to health care cost inflation indexing increasing .25%	228
Gain due to health care cost inflation indexing decreasing .25%	(213)

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	**9,947**	**10,900**	**38,421**	**529,170**	**588,438**
Other benefit plans	**471**	**523**	**1,880**	**41,019**	**43,893**
At December 31, 2019	**10,418**	**11,423**	**40,301**	**570,189**	**632,331**

(in thousands of Canadian dollars)	Less than a year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Pension benefit plan	9,324	10,271	36,488	491,170	547,253
Other benefit plans	442	489	1,746	45,186	47,863
At December 31, 2018	9,766	10,760	38,234	536,356	595,116

16. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at March 31, 2020 and February 28, 2019.

(in thousands of Canadian dollars)	Gross	March 31 2020 Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	**1,350,196**	**3,912**	**1,346,284**
Provision for incurred but not reported claims	**418,913**	**983**	**417,930**
Provision for internal loss adjusting expenses	**198,099**	**-**	**198,099**
Effect of discounting	**(189,014)**	**(87)**	**(188,927)**
Provision for adverse deviation	**253,142**	**264**	**252,878**
Provision for Unpaid Claims	**2,031,336**	**5,072**	**2,026,264**
Provision for Unearned Premiums (Note 13)	**547,586**	**-**	**547,586**
Total Insurance Contract Provisions	**2,578,922**	**5,072**	**2,573,850**

(in thousands of Canadian dollars)	Gross	February 28 2019 Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,337,733	6,818	1,330,915
Provision for incurred but not reported claims	424,625	1,375	423,250
Provision for internal loss adjusting expenses	186,588	-	186,588
Effect of discounting	(220,976)	(162)	(220,814)
Provision for adverse deviation	247,955	432	247,523
Provision for Unpaid Claims	1,975,925	8,463	1,967,462
Provision for Unearned Premiums (Note 13)	499,704	-	499,704
Total Insurance Contract Provisions	2,475,629	8,463	2,467,166

17. Claims Liabilities

Methodology and Assumptions

The best estimates of claim liabilities are determined based on a review of the projected ultimate claim liabilities using various standard actuarial techniques. In particular, the techniques used to project ultimate claim liabilities include the incurred loss development method, the paid loss development method, the incurred Bornheutter-Ferguson method, and the paid Bornheutter-Ferguson method. The projected ultimate claim liabilities are then determined by selection of the most appropriate technique by line of business, coverage, and maturity of the accident year.

Loss Development Method

The loss development method projects ultimate claims for each accident year using the reported/paid losses as at the valuation date, and assuming that future development on these losses is similar to prior accident years' development. The underlying assumption of the method is that the reported/paid-to-date losses will continue to develop in a similar manner in the future.

Bornheutter-Ferguson Method

The Bornheutter-Ferguson Method projects ultimate claims for each accident year by adding the expected unreported/unpaid losses to the reported/paid losses as at the valuation date. The expected unreported/unpaid losses are determined as the product of the expected loss ratio and the per cent unreported/unpaid, the latter based on the maturity of the accident year. An implicit assumption of this method is that the reported/paid-to-date losses contain no informational value as to the amount of losses yet to be reported/paid.

Claim liabilities are initially determined on an undiscounted gross basis. Ceded claim liabilities are then deducted to determine the claim liabilities on an undiscounted net basis.

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 internal loss adjustment expenses (ILAE). As such, a provision for ILAE is determined based on the observed historical ratios of paid ILAE to paid losses. The method assumes that half of the ILAE is paid when the claim is first set up, with the remaining half being paid to maintain the claim. An ILAE 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 IBNR losses.

The loss data includes salvage and subrogation. As such, a separate analysis 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 discounting, 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 based on a selected discount rate, which is determined 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 no longer uses a corporate wide investment portfolio to support corporate claim liabilities. Instead, separate investment portfolios have been set up to support the claim liabilities by lines of business. For Basic, between the February 28, 2019 valuation and the March 31 2020 valuation, the discount rate, determined based on the market value weighted yield for the investment portfolio, decreased by 17 basis points from 3.26 per cent to 3.09 per cent. The decrease in the discount rate increased the discounted net claim liabilities by $33.4 million and ILAE provision by $3.5 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 a decrease in the discounted net claim liabilities of $46.8 million and a decrease in the ILAE provision of $8.8 million.

Change in Trend Period Selection

The period for determining the loss trends for Basic PIPP coverages was changed to exclude 2005 and prior as these years are less relevant to the current trend. This change decreased the discounted net claim liabilities by $7.5 million and decreased the ILAE provision by $1.3 million.

Change in ILAE Ratio

The ILAE ratios for all lines of business are reviewed and revised to reflect recent indications. The aggregate effect of all revisions to the ILAE ratios is an increase in the ILAE provision of $8.4 million.

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

Balance at March 31, 2020			
(in thousands of Canadian dollars)	**Gross**	**Reinsurance Ceded**	**Net**
Automobile Insurance Division			
Liability	**1,878,264**	**1,871**	**1,876,393**
Physical Damage	**153,072**	**3,201**	**149,871**
Total	**2,031,336**	**5,072**	**2,026,264**

Balance at February 28, 2019			
(in thousands of Canadian dollars)	Gross	Reinsurance Ceded	Net
Automobile Insurance Division			
Liability	1,791,098	1,180	1,789,918
Physical Damage	184,827	7,283	177,544
Total	1,975,925	8,463	1,967,462

Changes in Unpaid Claims and ILAE Provision

Gross

(in thousands of Canadian dollars)	**2020**	2019
Discounted unpaid claims at March 1	**1,789,337**	1,625,768
Effect of discounting and Provision for Adverse Deviation	**(26,979)**	12,334
Undiscounted unpaid claims at March 1	**1,762,358**	1,638,102
Ultimate claims for current accident year	**793,226**	774,260
Payment on current accident year claims	**(496,827)**	(451,034)
Change in ultimate claims from prior accident years	**(2,300)**	48,654
Payments on prior accident year claims	**(287,348)**	(247,624)
Undiscounted unpaid claims at the period end date	**1,769,109**	1,762,358
Effect of discounting and Provision for Adverse Deviation	**64,128**	26,979
Discounted unpaid claims at the period end date	**1,833,237**	1,789,337
ILAE provision	**198,099**	186,588
Total unpaid claims provision	**2,031,336**	1,975,925

Reinsurance Ceded

(in thousands of Canadian dollars)	**2020**	2019
Discounted unpaid claims at March 1	**8,463**	1,269
Effect of discounting and Provision for Adverse Deviation	**(270)**	(60)
Undiscounted unpaid claims at March 1	**8,193**	1,209
Ultimate claims for current accident year	**-**	14,989
Payments on current accident year	**-**	(7,915)
Change in ultimate claims from prior accident years	**1,185**	(82)
Payments on prior accident year claims	**(4,483)**	(8)
Undiscounted unpaid claims at the period end date	**4,895**	8,193
Effect of discounting and Provision for Adverse Deviation	**177**	270
Discounted unpaid claims at the period end date	**5,072**	8,463
Total unpaid claims provision	**5,072**	8,463

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**2020**	2019
Discounted unpaid claims at March 1	**1,780,874**	1,624,499
Effect of discounting and Provision for Adverse Deviation	**(26,709)**	12,394
Undiscounted unpaid claims at March 1	**1,754,165**	1,636,893
Ultimate claims for current accident year	**793,226**	759,271
Payment on current accident year claims	**(496,827)**	(443,119)
Change in ultimate claims from prior accident years	**(3,485)**	48,736
Payments on prior accident year claims	**(282,865)**	(247,616)
Undiscounted unpaid claims at the period end date	**1,764,214**	1,754,165
Effect of discounting and Provision for Adverse Deviation	**63,951**	26,709
Discounted unpaid claims at the period end date	**1,828,165**	1,780,874
ILAE provision	**198,099**	186,588
Total unpaid claims provision	**2,026,264**	1,967,462

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $252.9 million (February 28, 2019 – $247.5 million). This provision is comprised of a claims development PfAD of $172.8 million (February 28, 2019 – $167.8 million), an interest rate PfAD of $79.5 million (February 28, 2019 – $79.5 million), and a reinsurance PfAD of $0.2 million (February 28, 2019 - $0.2 million).

Net claims incurred and adjustment expenses do not include any catastrophes in the current fiscal year (February 28, 2019 – $15.0 million). 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.

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

Development of Ultimate Claims

The following table represents the development of claims on the gross basis as of March 31, 2020.

Gross	Accident Year										
(in thousands of Canadian dollars)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims costs for the most recent ten years:											
At end of accident year	534,691	530,058	565,938	634,333	589,243	681,244	725,741	724,819	774,260	793,226	
One year later	530,076	535,899	593,100	638,464	598,444	693,483	747,403	734,346	776,904		
Two years later	540,951	552,896	599,571	646,880	606,559	710,476	764,130	741,779			
Three years later	537,233	547,124	593,288	654,820	589,796	708,334	766,294				
Four years later	547,441	557,045	600,882	640,172	591,707	708,060					
Five years later	552,856	563,151	621,488	637,770	591,037						
Six years later	560,234	569,366	620,031	629,401							
Seven years later	560,168	574,511	611,420								
Eight years later	565,121	573,909									
Nine years later	566,366										
Current estimate of cumulative claims cost	566,366	573,909	611,420	629,401	591,037	708,060	766,294	741,779	776,904	793,226	6,758,397
Cumulative payments to date	502,229	503,894	545,499	576,767	525,062	618,917	648,670	612,176	618,550	496,826	5,648,591
Effect of discounting and PfAD on above	2,013	2,214	1,879	1,271	1,625	2,268	3,000	3,854	9,039	18,315	45,476
Discounted gross unpaid claims in respect of years prior to 2011											(1,144,304)
ILAE provision											198,099
Total gross unpaid claims											209,077
Current estimate of surplus (deficiency)	(31,675)	(43,851)	(45,482)	4,933	(1,794)	(26,815)	(40,553)	(16,960)	(2,644)	-	
Percentage surplus (deficiency) of initial gross reserve	(5.9%)	(8.3%)	(8.0%)	0.8%	(0.3%)	(3.9%)	(5.6%)	(2.3%)	(0.3%)	0.0%	

The following table represents the development of claims on the net of reinsurance basis as of March 31, 2020.

Net of Reinsurance Ceded	Accident Year										
(in thousands of Canadian dollars)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims costs for the most recent ten years:											
At end of accident year	534,691	530,059	565,938	634,333	589,242	681,244	725,741	724,819	759,270	793,226	
One year later	530,076	535,899	593,101	638,203	598,444	693,483	747,403	734,346	761,388		
Two years later	540,951	552,897	599,571	646,435	606,559	710,476	764,129	741,779			
Three years later	537,233	547,124	593,287	654,397	589,796	708,333	766,293				
Four years later	547,440	556,532	600,882	639,793	591,707	708,060					
Five years later	552,856	562,623	621,488	637,348	591,036						
Six years later	560,234	568,847	620,031	628,949							
Seven years later	559,935	574,321	611,421								
Eight years later	564,883	573,720									
Nine years later	565,800										
Current estimate of cumulative claims cost	565,800	573,720	611,421	628,949	591,036	708,060	766,293	741,779	761,388	793,226	6,741,672
Cumulative payments to date	502,229	503,704	545,499	576,577	525,062	618,917	648,670	612,176	606,157	496,826	5,635,818
Effect of discounting and PfAD on above	1,977	2,214	1,879	1,254	1,625	2,268	3,000	3,854	8,960	18,315	45,345
Discounted net unpaid claims in respect of years prior to 2011											(1,136,516)
ILAE provision											198,099
Total net unpaid claims											212,782
Current estimate of surplus (deficiency)	(31,109)	(43,661)	(45,482)	5,385	(1,794)	(26,816)	(40,553)	(16,961)	(2,119)	-	
Percentage surplus (deficiency) of initial net reserve	(5.8%)	(8.2%)	(8.0%)	0.8%	(0.3%)	(3.9%)	(5.6%)	(2.3%)	(0.3%)	0.0%	

The Corporation changed its year end from February 28 to March 31, effective the March 31, 2020 fiscal period. As such, the shaded net ultimate losses are as at February 28 and the non-shaded net ultimate losses are as at March 31. Due to the transition of year ends, the March 31, 2020 accident year is for 13 months, whereas all other accident years are 12 months.

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 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 5.00 per cent increase in net PIPP claim liabilities is equal to approximately $70.2 million (February 28, 2019 - $66.8 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 73 per cent of the 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 $129.9 million (February 28, 2019 - $164.2 million), while a 1.00 per cent decrease in the claim liabilities discount rate would increase claim liabilities by approximately $135.2 million (February 28, 2019 - $170.8 million). However, this impact would be largely offset by gains on the Corporation's fixed income portfolio as described in the Interest Rate Risk section of Note 25.

18. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at March 31, 2020, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $10.0 million (February 28, 2019 – $5.0 million) for all exposures 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 $35.0 million (February 28, 2019 – $15.0 million on any once occurrence). These arrangements protect the Corporation against losses up to $300.0 million (February 28, 2019 – $265.0 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

19. 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.

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.

Reserves Regulation 76/2019, of *The Manitoba Public Insurance Corporation Act* sets out the Corporation's capital targets expressed as a MCT percentage. The Basic line of business MCT target is 100%.

In Order No. 176/19, the Public Utilities Board 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.

As at March 31, 2020 Basic's MCT was 104 per cent (February 28, 2019 – 52 per cent).

The Corporation's Chief Actuary has prepared a Dynamic Capital Adequacy Test report for each insurance line of business to assess capital adequacy under adverse financial conditions. The Basic Insurance line was determined to have satisfactory future financial conditions as at March 31, 2020 based on the assessment of the Chief Actuary.

The below chart depicts the components of the Basic Insurance line of business Retained Earnings.

(in thousands of Canadian dollars)	Retained Earnings
Balance as at March 1, 2018	170,975
Net income from operations for the year	78,837
Transfer between Basic Retained Earnings & Non-Basic Retained Earnings	60,000
Balance as at February 28, 2019	309,812
Net income from operations for the period	**130,710**
Balance as at March 31, 2020	**440,522**

(in thousands of Canadian dollars)	March 31 2020	February 28 2019
Basic Retained Earnings before transfer from Non-Basic Retained Earnings	**440,522**	249,812
Accumulated Other Comprehensive Income Basic (Note 20)	**(34,295)**	(60,120)
	406,227	189,692
Transfer between Basic Retained Earnings & Non-Basic Retained Earnings	**-**	60,000
Basic reserve based on total equity	**406,227**	249,692

20. Accumulated Other Comprehensive 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 March 1, 2018	99,566	(57,411)	(2,285)	39,870
Items that will not be reclassified to income				
Remeasurement of employee future benefits	-	3,382	-	3,382
Items that will be reclassified to income				
Unrealized gains on AFS assets	2,123	-	35	2,158
Reclassification of net realized gains related to AFS assets	(104,452)	-	(798)	(105,250)
Allocation adjustment*	(2)	4,170	(4,448)	(280)
Balance as at February 28, 2019	(2,765)	(49,859)	(7,496)	(60,120)
Items that will not be reclassified to income				
Remeasurement of employee future benefits	**-**	**16,823**	**-**	**16,823**
Items that will be reclassified to income				
Unrealized losses on AFS assets	**(23,593)**	**-**	**(10,112)**	**(33,705)**
Reclassification of net realized gains related to AFS assets	**23,839**	**-**	**8,913**	**32,752**
Allocation adjustment*^	**1,889**	**(306)**	**8,372**	**9,955**
Balance as at March 31, 2020	**(630)**	**(33,342)**	**(323)**	**(34,295)**

* In accordance with approved allocation formulas, items included in the Statement of Operations and Comprehensive Income, are allocated to the Basic Insurance line of business utilizing monthly allocation percentages and the ending asset balances are allocated at the end of the fiscal year. The allocation variance is the amounts required to adjust monthly allocations to the annual balances.

^ A portion of the allocation adjustment is due to the changes resulting from the work completed in a recent asset-liability study. As a result, a number of significant changes where implemented, which better align portfolio objectives with the underlying characteristics of the liabilities which the portfolios support. The previously co-mingled portfolio has been segregated into five new portfolios to uniquely match the various

lines of business and employee future benefits obligations. The result of the new portfolio construction and target asset allocations is a tighter matching of assets to liabilities and a reduction in overall risk which supports the Corporation's objective of managing volatility and delivering rate stability.

21. 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.

(in thousands of Canadian dollars)	**13 months ended March 31 2020**	12 months ended February 28 2019
Revenue from service contracts		
Information	**83**	-
	83	-
Revenue from other sources		
Administration fees	**10,494**	9,429
Certificates, cards and passes	**21**	21
Interest	**17,081**	13,684
Salvage	**156**	108
Training	**486**	528
Miscellaneous	**809**	798
	29,047	24,568
Total fees and other income	**29,130**	24,568

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

22. Service Fees and Other Revenue

(in thousands of Canadian dollars)	**13 months ended March 31 2020**	12 months ended February 28 2019
Transaction fees	**7,116**	6,390
Time payment fees	**2,469**	2,289
Time payment interest	**17,081**	13,684
Late payment fees	**849**	687
Dishonoured payment fees	**549**	556
Other miscellaneous revenue	**1,066**	962
Total	**29,130**	24,568

23. Commitments

As of March 31, 2020, the Corporation has material commitments related to Administrative Service Contracts, Operations Service Agreements, and Information Technology Systems Contracts, with the portion attributable to the Basic line of business as follows:

(in thousands of Canadian dollars)	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Thereafter**
Administrative Service Contracts	8,709	481	401	-	-	-
Operations Service Agreements	3,980	974	-	-	-	-
Information Technology Systems Contracts	20,162	20,061	12,826	6,548	4,323	8,645
	32,851	**21,516**	**13,227**	**6,548**	**4,323**	**8,645**

24. 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:

(in thousands of Canadian dollars)	**13 months ended March 31 2020**	12 months ended February 28 2019
Short term benefits	**1,850**	1,666
Post-employment benefits	**53**	68
Other long-term benefits	**24**	25
Total	**1,927**	1,759

Key management personnel and their close relatives may have insurance policies and drivers licenses 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 3.

Accounts Payable and Accrued Liabilities includes $18.4 million (February 28, 2019 - $37.5 million) due to the Province of Manitoba.

25. Insurance and Financial Risk Management

Insurance Risk

The Corporation is exposed to insurance risk in that the risk under any one insurance contract creates the possibility that the insured event occurs and there is uncertainty regarding the amounts of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable.

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, 2020, total foreign denominated financial instruments was approximately 1.3 per cent (February 28, 2019 – 7.3 per cent) of the Corporation's investment portfolio and had carrying values noted below.

2020	**2020**	2019	2019
$10.1 million U.S.	**$14.3 million Cdn**	$115.3 million U.S.	$151.9 million Cdn
£6.1 million GBP	**$10.8 million Cdn**	£7.6 million GBP	$13.2 million Cdn
$9.6 million NZD	**$8.1 million Cdn**	$12.0 million NZD	$10.8 million Cdn

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, 2020 the fair value of the swap was $14.6 million (February 28, 2019 - $14.3 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.

Bonds	**Average Effective Rate - %**	
	2020	2019
Federal	**2.48**	2.89
Provincial	**2.11**	2.77
Municipal	**2.69**	3.25
Schools	**4.49**	4.53
Corporations	**2.71**	3.40

The Corporation monitors interest rate risk by calculating the duration of the fixed income portfolio and the duration of unpaid claims and employee future benefit liabilities. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of morbidity and mortality primarily relating to PIPP claims. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by purchasing and selling fixed interest securities in order to adjust the duration of the assets appropriately. As at March 31, 2020, the Corporation's claims duration gap for the Basic line of business was 0.7 years (February 28, 2019 – 0.0 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, 2020 would decrease the net income of Basic by $18.5 million (February 28, 2019 - $27.6 million increase) and increase the OCI of Basic by $46.9 million (February 28, 2019 - $47.1 million). The approximate impact of a decrease of 100 basis points in interest rates as at March 31, 2020 would increase the net income of Basic by $28.6 million (February 28, 2019 - $36.0 million decrease) and decrease OCI of Basic by $54.6 million (February 28, 2019 - $61.5 million).

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, 2020, a 10.0 per cent change in the fair value of the Corporation's equity portfolio would result in a $24.2 million (February 28, 2019 - $39.5 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 2). The Corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

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 any allowance for loss.

(in thousands of Canadian dollars)	**March 31 2020**	February 28 2019
Cash and cash equivalents	**186,635**	161,945
Bonds	**2,197,470**	1,690,659
Private debt	**79,688**	-
Due from other insurance companies	**381**	1,495
Accounts receivable	**406,261**	422,173
Reinsurance receivable	**4,409**	6,274
Maximum credit risk exposure on the Statement of Financial Position	**2,874,844**	2,282,546

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 at the period end date March 31. 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, 2020		February 28, 2019	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Aaa	**209,193**	**9.2%**	171,071	10.1%
Aa	**1,341,319**	**58.9%**	1,418,108	83.9%
A	**326,661**	**14.4%**	90,599	5.4%
Baa	**219,618**	**9.6%**	10,881	0.6%
Ba	**1,699**	**0.1%**	-	-
Not Rated	**178,668**	**7.8%**	-	-
Total	**2,277,158**	**100.0%**	1,690,659	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 2020**	February 28 2019
Policy and time payments	**330,452**	332,881
Accrued interest	**25,300**	22,506
Subrogation and other receivables	**76,598**	86,013
Allowance for doubtful accounts	**(26,089)**	(19,227)
At period end	**406,261**	422,173

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**March 31 2020**	February 28 2019
Balance at March 1	**19,227**	18,868
Accounts written off	**(649)**	(4,270)
Current period provision	**7,511**	4,629
At period end	**26,089**	19,227

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 $0.7 million outstanding as of March 31, 2020 (February 28, 2019 – $2.3 million).

Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place.

For the 2019/20 fiscal year, eleven reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5 per cent to 30.0 per cent on any one layer. The reinsurer exposed to 30.0 per cent of the losses is licensed in Canada by OSFI and, therefore, subject to minimum capital requirements.

For the 2019/20 fiscal year, nineteen 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 2019/20 and no allowance for doubtful accounts has been established as at March 31, 2020.

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 $128.0 million (February 28, 2019 – $129.3 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.

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

(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
		March 31, 2020		
Federal	**-**	**-**	**32,908**	**32,908**
Manitoba				
Provincial	**-**	**-**	**129,033**	**129,033**
Municipal	**96**	**2,553**	**53,574**	**56,223**
Schools	**2,164**	**37,351**	**457,947**	**497,462**
Other Provinces				
Provincial	**21,295**	**197,043**	**710,643**	**928,981**
Municipal	**-**	**24,790**	**49,430**	**74,220**
Corporations	**98,980**	**7,948**	**371,715**	**478,643**
Total	**122,535**	**269,685**	**1,805,250**	**2,197,470**

(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
		February 28, 2019		
Federal	-	-	25,123	25,123
Manitoba				
Provincial	9,205	-	99,600	108,805
Municipal	232	1,338	47,221	48,791
Schools	2,166	27,203	437,429	466,798
Other Provinces				
Provincial	3,009	194,349	690,163	887,521
Municipal	1,752	18,883	34,883	55,518
Corporations	-	27,590	70,513	98,103
Total	16,364	269,363	1,404,932	1,690,659

Liability Liquidity

(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
		March 31, 2020		
Provision for unpaid claims				
Cash Flows - undiscounted basis	**304,412**	**351,008**	**1,290,192**	**1,945,612**

(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
		February 28, 2019		
Provision for unpaid claims				
Cash Flows - non-discounted,	316,325	315,694	1,297,430	1,929,449

26. 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 2020**	February 28 2019
Financial Assets		
Bonds	**2,074,935**	1,674,295
Pooled real estate	**75,831**	242,082
Infrastructure and other investments	**77,316**	96,019
Reinsurers' share of unpaid claims	**2,469**	2,474
	2,230,551	2,014,870
Financial Liabilities		
Lease obligations	**2,887**	2,960
Provision for unpaid claims - net	**1,724,321**	1,653,611
	1,727,208	1,656,571
Net assets due after one year	**503,343**	358,299

27. 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 86 per cent (February 28, 2019 - 88 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 commencing on March 1. 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.

28. 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.

29. Subsequent Events

On April 23, 2020 in a joint statement with the Province of Manitoba, the Corporation announced it would be distributing up to $110 million to provide financial relief to its policyholders. The distribution is in essence an acceleration of the Corporation's capital management plan as it takes the form of a one-time payment as opposed to future rate reductions to Basic premiums via the Corporation's capital management plan capital release mechanism. The payment is comprised of the following two components:

i. $52 million from excess capital held in the Extension line of business as at the end of 2019/20. This portion of the payment will be calculated based upon Basic premiums paid during the 2019/20 insurance year.

ii. $58 million from forecasted reductions in the number of claims for the initial COVID-19 period of March 15 – May 15, 2020. This portion of the payment applies to all active Basic policies on March 15, 2020 and is subject to approval by the Public Utilities Board.

On April 27, 2020 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 of universal compulsory automobile insurance policies in-force on March 15, 2020, through a special payment in an amount equal to the approximate sum of $58 million. On May 1, 2020 the Public Utilities Board approved the Corporation's application and on the week beginning May 25, 2020 the Corporation began issuing cheques to policyholders totaling $109.9 million.