MANITOBA
PUBLIC INSURANCE

# 2019
## Annual Report

# Contents



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

A version of this annual report is available in French at mpi.mb.ca.

Une version du rapport annuel est disponible en français sur le site Web mpi.mb.ca.

# Letters of Transmittal

MANITOBA PUBLIC INSURANCE

August 31, 2020

The Honourable Jeff Wharton
Minister of Crown Services
Room 314, Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister,

In accordance with Section 43(1) of *The Manitoba Public Insurance Corporation Act*, I am pleased to submit the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended March 31, 2020.

Respectfully submitted,

**Dr. Mike Sullivan**
CHAIRPERSON OF THE BOARD

Manitoba

August 31, 2020

Her Honour The Honourable
Janice C. Filmon, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, MB R3C 0V8

May it please your Honour,

I am pleased to present the Annual Report for the Manitoba Public Insurance Corporation for the fiscal year ended March 31, 2020.

Respectfully submitted,

**Jeff Wharton**
MINISTER OF CROWN SERVICES

# 2019/20 Year-End Summary

## Dollars and Cents

| | |
|---|---|
| Approximate Autopac claims paid per working day | $3.2 million |
| Total Autopac claims paid for injuries occurring in 2019/20 (before expenses) | $179.7 million |
| Total Autopac claims paid for property damage occurring in 2019/20 (before expenses) | $680.1 million |
| Amounts paid by MPI to Manitoba medical practitioners on behalf of customers | $36.6 million |
| Commissions expensed to independent insurance brokers for product sales | $96.3 million |
| Grants-in-lieu of taxes paid to Manitoba municipalities by MPI | $2.0 million |
| Provincial premium taxes total | $44.3 million |
| Dollars invested in road safety programs | $14.5 million |
| Potential savings to policyholders through use of recycled parts made available for use in claims repairs | $11.1 million |
| Estimated direct savings to policyholders through subrogation | $12.2 million |

## Significant Numbers

| | |
|---|---|
| Average number of Autopac claims reported to Manitoba Public Insurance per working day | 1,084 |
| Total Autopac claims reported | 293,649 |
| Bodily injury claims reported | 16,320 |
| Property damage claims reported | 277,329 |
| Total theft claims reported in Winnipeg | 3,146 |
| Total theft claims reported elsewhere in province | 1,316 |
| Number of Autopac policies in force (average) | 1,173,982 |

## Corporate Five-Year Statistics*

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 |
|---|---|---|---|---|---|
| Premiums written ($000) | 1,506,361 | 1,315,612 | 1,232,350 | 1,153,420 | 1,103,185 |
| Net claims incurred ($000) | 1,008,821 | 1,015,922 | 883,813 | 981,298 | 770,624 |
| Number of claims | 293,649 | 297,920 | 299,518 | 303,878 | 297,957 |
| Average cost per claim ($) | 3,435 | 3,410 | 2,951 | 3,229 | 2,586 |
| Claim expenses ($000) | 161,236 | 143,832 | 161,583 | 137,102 | 134,511 |
| Other expenses ($000) | 291,030 | 268,872 | 254,460 | 254,274 | 205,510 |
| Net income (loss) ($000) | 180,159 | 159,145 | 91,076 | (85,204) | (31,314) |
| Investments at year-end ($000) | 3,248,890 | 3,072,813 | 2,784,706 | 2,648,305 | 2,523,111 |
| Total assets ($000) | 4,060,256 | 3,795,943 | 3,482,897 | 3,349,799 | 3,190,917 |

*2019/20 includes 13 months of activity due to the change in fiscal year-end from February 28 to March 31.

# Message from the Chairperson

## Manitoba Public Insurance provides value to all Manitobans through a combination of low rates, comprehensive protection, service excellence, and a focus on road safety.

Our commitment is clearly spelt out in our mission: exceptional coverage and service, affordable rates and safer roads through public auto insurance. We continue to live this mission everyday as it drives us to continuously improve and enhance the value we provide.

It is clearly evident in our rates. Our public insurance model continues to keep rates among the lowest in Canada. In fact, this past year we requested and received from the Public Utilities Board a reduction in average rates by 0.6 per cent for the 2020/21 insurance year.

To give you an example of how our rates stack up to those in other jurisdictions, insuring a 2018 Ford F150 XLT SuperCrew in Winnipeg would cost $1,466 as compared to $4,878 in Calgary and $3,023 in Toronto, for a 40-year-old couple and their 16-year-old son, all with clean driving records.

Our commitment is also evident in the scale of coverage we provide for Manitobans. Our affordable rates include comprehensive, world-class injury protection. Through the Personal Injury Protection Plan, we protect all Manitobans injured in an auto collision anywhere in Canada or the U.S.

The plan ensures both fair compensation for economic losses and comprehensive support for recovery. Embedded in this world-class protection is a responsibility to make our roads safer. We take this role very seriously, by addressing road safety issues through education, awareness, and assistance with enforcement.

Affordable rates and exceptional coverage are only sustainable if we continue to practise fiscal prudence. Cost containment and fiscal responsibility remain a primary focus for this Board as we move MPI forward to meet the diverse product and service needs of Manitobans. This focus pervades all aspects of our business, from day-to-day operations to modernization of our systems to enhancements in products, coverage and service.

We maintain this focus to fiscal responsibility and our commitment to our mission through our four core values, which guide all that we do:

### 1 Striving for Excellence

We strive for excellence in meeting the needs and expectations of Manitobans for exceptional coverage, service, accessibility and convenience.

### 2 Providing Value to Manitobans

We provide value to Manitobans by seriously addressing our obligation to secure predictable and affordable rates.

As we evolve to meet the diverse product and service needs of Manitobans, cost containment and fiscal responsibility remain a primary focus.

### 3 Doing What's Right

We do what's right, as a Board, by providing oversight to ensure that transparency, accountability and fiscal responsibility remain paramount in all that we do.

### 4 Investing in People

We invest in people by empowering our staff and ensuring they have the skills and tools they need, and by collaborating with partners in insurance, claims and road safety to fulfil our mission and continue to deliver value.

We recognize that we are entrusted by Manitobans with the sole authority to provide auto insurance coverage in our province. In turn, we take seriously our obligation to demonstrate fiscal responsibility, provide transparency, follow industry best practices, and deliver value for Manitoba drivers.

I want to acknowledge the hard work, clear oversight and expertise that my Board colleagues bring to the table. I look forward to their continued direction and guidance as we enter a transformational period for Manitoba Public Insurance — the next few years will see us update and modernize our systems and processes and incorporate new and additional methods of service delivery. It's a huge undertaking, and I am proud to acknowledge the commitment of the executive team, which is focused on continually enhancing our core business and ensuring MPI continues to succeed to provide value.

On behalf of the Board, I want to emphasize my pride in the accomplishments of the executive and the hard work and dedicated service of all employees and our many partners and stakeholders. It is only through the combined efforts of our Board, executive, employees and partners that we can continue to realize our mission and provide value to Manitobans through public insurance and driver services.

**Dr. Mike Sullivan**
CHAIRPERSON OF THE BOARD

## Board of Directors

**Dr. Mike Sullivan**
CHAIRPERSON

**Richard Chale**

**Domenic Grestoni**

**Carolyn Halbert**

**Kenneth Munroe**

**Edna Nabess**

**Jim Robson**

**Grant Stefanson**

**Valerie Wowryk**

**Benjamin Graham**
EX-OFFICIO

# Message from the President and Chief Executive Officer

## At MPI, our vision is clear and simple: to be the trusted auto insurance and driver services provider for every Manitoban.

To fully realize this vision, we must continue to focus on our fundamentals of insurance, licensing, registration and road safety, increase transparency to ensure Manitobans know where their premium dollars go, and continually improve products and services to meet the needs and expectations of our increasingly diverse customer base.

Our core business is predicated on our ability to provide stable, predictable and affordable rates. I am proud to report that this ability is strengthened by our new Capital Management Plan. This plan is aligned with industry best practices and will reduce financial volatility and help ensure rate stability, predictability and affordability. We continue to better utilize reinsurance frameworks and have implemented an asset-liability management strategy to further limit volatility and reduce the chance of rate shocks.

Thanks to the hard work and dedication of our teams in all areas to innovation and process improvement throughout the Corporation, we were able to end this year with strong financial results. Notably, our $180 million in net income demonstrates our focus on core claims management, including reducing fraud.

As a public auto insurer, we believe in transparency. We are fully accountable to Manitoba drivers, who have entrusted us with exclusive authority to provide Basic insurance coverage. With that in mind, starting in the 2020/21 insurance year, all statements and renewal notices to all customers contain a detailed breakdown on how premium dollars are spent, for both Basic and optional Autopac. At MPI, we pledge to remain fully open, transparent and accountable to grow and retain the trust of all Manitobans.

Equally as important is the level of protection we provide. Our Personal Injury Protection Plan offers superior protection for Manitobans injured in an automobile collision. It truly provides a world-class-level of coverage for economic losses and rehabilitative requirements, and is one of the key benefits of our public insurance model.

We recognize that Manitobans deserve this level of excellence not only in injury coverage, but in everything we do. That is why we are dedicated to continually improving products, service and convenience. To this end, for the 2021 insurance year we will be adjusting coverage levels for deductibles, as well as for Basic third-party liability (TPL) and maximum insured value (MIV). As of April 1, 2021, customers will choose from deductible levels between $200 and $750, marking the first time in more than two decades the Basic deductible has increased. The change will increase choice, giving customers the option to reduce their annual premium by increasing their deductible, while ensuring all customers enjoy the opportunity to maintain comparable deductible coverage for a comparable cost. Customers will receive greater TPL and MIV protection through Basic Autopac, while retaining the ability to increase these levels through optional insurance products.

Another exciting and important update we implemented this year was the introduction of our Driver Z program. Our new driver education curriculum designed for the next generation launched this fall with an enhanced focus on online learning in addition to robust in-class and in-car training. With an interface that looks more like a game than a lesson, students are now able to log in, complete their course work and track their progress digitally. All of this means more engaged young drivers and, ultimately, safer Manitoba roads.

Our biggest leap forward in service innovation, however, is also our biggest digital transformation project in our nearly 50-year history. Our computer systems are, simply put, outdated — I frequently compare them to an Atari. We have been patching and maintaining these systems for ages. What is now required is to start fresh with new, modernized systems and processes. This is a huge and overdue undertaking that, once complete, will enable us to greatly improve the customer experience and expand our ability to increase self-service offerings and customer convenience. Ultimately, this rejuvenation will also result in reduced costs to support systems, greater agility to respond to legislative, regulatory and customer service changes, and increased resiliency to manage technology risks.

This wide-ranging transformation will affect every corner of our business. It will prove a challenging time for our leaders, staff and partners, as they work through inevitable disruptions to operations and are challenged to learn and engage with new software and processes. But the benefit to customers will be worth the investment and effort.

I want to recognize the executive team and all our employees, and state my pride in their dedicated contributions towards realizing our vision. My sincere and ongoing appreciation also goes out to our Board of Directors, for their detailed analysis and keen oversight that keeps us on track. I am grateful for the opportunity they have provided me to lead MPI through what is an evolutionary change in products, services and technology, a welcome increase in transparency, and a more direct focus on our core business.

**Benjamin Graham**
PRESIDENT AND CHIEF EXECUTIVE OFFICER

## Executive Team

**Benjamin Graham**
PRESIDENT AND CHIEF EXECUTIVE OFFICER

**Brad Bunko**
VICE-PRESIDENT, INFORMATION TECHNOLOGY & BUSINESS TRANSFORMATION AND CHIEF INFORMATION OFFICER

**Mark Giesbrecht**
VICE-PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER

**Satvir Jatana**
VICE-PRESIDENT, EMPLOYEE & COMMUNITY ENGAGEMENT AND CHIEF HUMAN RESOURCES OFFICER

**Luke Johnston**
CHIEF ACTUARY AND VICE-PRESIDENT, PRODUCT & RISK MANAGEMENT

**Mike Triggs**
GENERAL COUNSEL AND CORPORATE SECRETARY

**Curtis Wennberg**
VICE-PRESIDENT, CUSTOMER SERVICE AND CHIEF OPERATING OFFICER

# Report on Performance

## At MPI, 2019 brought a number of significant financial milestones and marked progress in every area. During this time we never lost sight of how our model and these results continue to demonstrate value through a clear focus on exceptional coverage at affordable rates and safer roads.

To put it simply, we enjoyed a strong financial year, resulting in $180 million in profit. But this amount also represents a significant rebound as it was the second highest net income result of the past 20 years and is the culmination of a significant turnaround from just three years ago when the Corporation posted a net loss of $85 million.

There are many reasons for this improvement, however, at the root is a focus on the fundamentals of running an insurance and licensing business: sound pricing and underwriting, strong claims handling practices, excellent investment decisions, and prudent management of operating expenses.

This emphasis on the basics of insurance combined with a transparent and customer-centric approach has led to improved relationships with many stakeholders, including the Public Utilities Board (PUB). We have worked with the PUB to continually improve forecasting, rate making, as well as the capital management processes. In its order delivered in December 2019, the PUB approved our request for a 0.6 per cent rate decrease and our proposed capital management plan, including a capital target of 100 per cent Minimum Capital Test. The 0.6 per cent rate decrease, effective March 1, 2020, was the first rate decrease in eight years, while the newly approved capital management plan and target ensures Manitobans are protected against volatility in the premiums that they pay.

Another major driver of the positive financial results we saw this year was the low number of claims incurred and lower than budgeted cost for each claim. Collision frequency has been steadily improving over the last few years. This trend continued in 2019 with a nearly nine per cent improvement over the previous year in the rate of accidents taking place on Manitoba roadways. In addition to fewer collisions occurring, we focused on helping those who are unfortunately injured in a collision recover and get back to their daily lives and routines faster — in turn, lowering the overall cost of the claim. All in all, the loss ratio of claims incurred to net premiums earned decreased by approximately 10 per cent.

This year, we set a record for calls placed to our Fraud TIPS Line. This came as a result, in part, of our first-ever fraud awareness campaign highlighting that auto insurance fraud costs all ratepayers around $50 per year. A total of 594 calls were received compared to 439 in 2018 — a 35 per cent increase. Information gathered from calls to the TIPS Line is carefully reviewed by our Special Investigations Unit in order to separate legitimate calls from frivolous calls to ensure innocent customers are not impacted. With more TIPS on top of improved fraud handling and prosecution, we achieved a record reduction of fraudulent claims, totalling approximately $15 million.

It was also a significant year for creating safer roads in Manitoba for all who use them through new laws, regulations, and awareness and education programs. These included mandatory training for drivers who want to obtain their Class 1 driver's licence and an immediate roadside prohibition approach to dealing with persons driving under the influence of alcohol. Taking our responsibility seriously of helping new drivers gain the skills and knowledge they need, we launched our new driver education program for high school students, Driver Z. The new online platform and learning curriculum is designed to best prepare young drivers for the complexities of the road. Overall, we worked with multiple partners and stakeholders to address the key priorities outlined in *Road to Zero: Manitoba Road Safety Plan 2017–2020*, and we continued our award-winning "Save the 100" campaign, which reminds us all that we each play a role in reducing, and eventually eliminating, deaths on our roads.

Throughout all this progress, our management team has continued to tightly control operating costs, ensuring prudent oversight of the Corporation's finances and spending.

This effective management of expenses is demonstrated in our improved combined expense ratio of approximately one per cent, dropping from 22.6 per cent in 2018/19 to 21.4 per cent in 2019/20.

In 2019, we implemented our new asset-liability matching strategy, which saw the previously co-mingled investment portfolio separated into five distinct portfolios. The benefit of this approach reduces the overall risk faced by the Corporation and improves the risk-reward relationship by tailoring our asset allocation strategy to the needs of each unique portfolio.

Better claims-handling policies, increased fraud and road safety awareness, prudent management of various partnerships, fiscally-responsible spending, along with some help from the weather, have all contributed to MPI's excellent results in 2019. And with positive financial results today, comes lower rates tomorrow for all Manitobans.

# Strategic Direction

## As we forge ahead into a new decade, we remain steadfast in our commitment to strengthening our core business to provide exceptional coverage and service, affordable rates and safer roads for all Manitobans.

This journey forward is marked by a renewed commitment to customers and will be guided by increased transparency, enhanced products and services, and continued fiscal prudence and vigilance.

However, near the end of our fiscal year, we, like rest of the world, had to suddenly adapt our workforce and service delivery models due to the COVID–19 pandemic. Designated as an essential service by the Government of Manitoba, we are proud that we were and are able to continue to deliver insurance, registration and licensing services to Manitoba drivers. With a focus, first and foremost, on the safety and wellbeing of our staff and customers, we effectively and efficiently transitioned operations and adjusted procedures rapidly in alignment with public health authority guidelines, found new innovative ways to meet customer needs and support Manitobans, including allowing four of our locations to be used as COVID–19 testing sites by health authorities.

Our strong financial results leading up to the end of the fiscal year combined with our new investment strategy has positioned us well to handle the effects brought on by COVID–19. While our investment portfolio did suffer a $67-million impairment loss in March 2020, this result would have been much worse if not for the implementation of our investment strategy which had already shifted to more conservative asset classes. Due to the improvement in operations through a focus on the fundamentals, we have been able to withstand the economic market downturn while improving our capital position and issuing a rebate to customers in May 2020 totalling $110 million.

But we know that we are all still working to adjust to this new reality, and that will mean continuous assessment and evolution of our practices and policies in the months and years to come.

Despite these challenges late in the year, as we begin the 2020/21 insurance year, we continue to take steps to provide exceptional products and services with increased transparency. Each and every Autopac customer will receive corporate financial information as part of their annual statement or renewal information package. Customer statements include a graphic breakdown titled “Where do your premium dollars go?”, which illustrates which portion of revenues go towards claims, operating costs, broker commissions and other expenses.

We’re committed to evolving into a truly customer-centric organization. We’re asking customers to help us understand their needs and preferences to give them the experience they expect. We’re aligning our products, interactions, processes and technology around a singular vision to make customers the centre of all we do.

The upcoming year will see dramatic steps towards enhancing both products and services. We will be working to launch new coverage levels for the 2021/22 insurance year. This includes greater protection through increased Basic coverage for third-party liability and maximum insured value, as well as new deductible levels, such as the $750 new basic deductible. Comparable deductible coverage will remain available for comparable cost, and customers will have the option of reducing premiums by increasing deductible levels for the first time in over 20 years.

Customers value flexibility and being given choices. We've recognized the limitation of outdated technology and so the biggest digital business transformation in our corporation's nearly half-century history is well underway. Over the next several years, we will completely modernize our legacy computer systems. Project Nova will empower our people and partners with new technology and processes that are responsive and efficient, giving customers more choice and a better experience. On top of this, we are modernizing our public auto insurance regulations, policies and procedures to achieve better value for Manitobans — this includes reducing red tape in all processes, and evolving our digital services to meet customer expectations. Once complete, these transformations will ensure we have the stability, security and agility to provide the service excellence and range of options that our customers deserve.

We strive to treat all customers with respect and pay the right claims to fairly compensate customers. With that in mind, some claims can be very complicated and disputes may occasionally arise. In an effort to offer an expedited appeals process, we are working to establish an independent Claims Dispute Tribunal. This new option will consist of independent, government appointed adjudicators, who make final and binding decisions in order to bring faster resolution of both physical damage claim issues and liability disputes for customers.

We will continue to emphasize fiscal stability, including the implementation of our Capital Management Plan and Basic's reserve target of 100 per cent Minimum Capital Test. We will continue using reinsurance to reduce volatility and our asset-liability management program to maximize returns at an acceptable level of risk. We will also persist with efforts to more fully align with government by integrating into the summary budget process, which includes our shift to a fiscal year running from April 1 to March 31.

As we move forward, we will keep developing and sustaining collaborative relationships and prudent partnerships that mutually benefit MPI, our partners and our customers. The year will see a refocus on labour, as we negotiate a new collective agreement with the Manitoba Government Employees Union.

Our partnerships extend into the important work of road safety. We are collaborating with the Provincial Road Safety Committee on plans to update the Manitoba Road Safety Plan in our shared vision of zero traffic fatalities in our province. Together, we envision a future where no Manitobans are killed on our roads. Key public campaigns will place a renewed emphasis on protecting our vulnerable road users and on the extreme dangers of distracted driving.

We have a vision to be Manitoba's trusted provider of auto insurance and driver services. This vision demands transparency and truly listening to customers to give them the products and experiences that they need and expect. Delivering on these measures will enable us to continue to serve Manitobans in a way that is fiscally sustainable, predictable, and reliable, ensuring exceptional coverage and service, affordable and stable rates, and safer roads.

# Management Discussion & Analysis

## Corporate Profile

### Corporate Mission

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

### Corporate Vision

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

## Corporate Values

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

### Striving for Excellence

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

### Providing Value to Manitobans

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

### Doing What's Right

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

### Investing in People

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

## Corporate Governance

### Responsibilities of the Board

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

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

Under the provisions of *The Manitoba Public Insurance Corporation Act*, the Board chairperson is required to provide the Minister of Crown Services with an annual report, which is subsequently reviewed by the Standing Committee of the Legislature. With the approval of the Lieutenant Governor in Council, the Minister of Crown Services has the legislative authority to issue a mandate letter, and directives related to matters of policy, accounting, advertising standards and organizational reviews. The Public Utilities Board approves changes to Basic Autopac insurance rates.

### Whistleblower Report

The Corporation has an established Whistleblower Hotline, which is an anonymous and confidential system for the receipt, retention and treatment of complaints about activities that are potentially unlawful or injurious to the public interest, including suspected fraud or financial mismanagement by employees. *The Public Interest Disclosure (Whistleblower Protection) Act* was amended in December 2018, and the Corporation worked collaboratively with the Office of the Ombudsman this year to ensure the Corporation's policies and procedures are fully compliant with the Act.

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

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

During the fiscal period March 1, 2019, to March 31, 2020, the Whistleblower Hotline received three inquiries.

## Fair Practices Office

Our public auto insurance system strives for continuous improvement in all aspects of its operation, particularly those aimed at ensuring fair and appropriate service to customers.

The Fair Practices Office (FPO) was created in 1999 to meet this goal. The FPO is an avenue for customers and other interested parties to bring issues and concerns of a systemic nature to the attention of the Corporation.

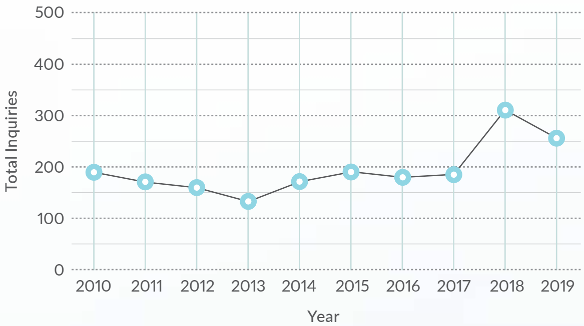
The FPO generally deals with concerns related to corporate policy, or issues involving complex or unusual situations where the correct interpretation of policy may seem unclear. The FPO may initiate its own investigations or respond to inquiries referred by others. It is free to scrutinize the Corporation's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

Many of these matters are referred to the FPO by the provincial Ombudsman, however, some also come from staff and directly from customers. Inquiries of a systemic or policy-centric nature may also be referred by the Corporation's Customer Relations unit, which deals primarily with individual customers and their concerns.

### 2019 Fair Practices Office Results

In the 2019/20 fiscal year, the FPO received 263 documented inquiries from the following referral sources:

Customer 50
Formal Ombudsman inquiries 2
Informal Ombudsman inquiries 159
Internal referrals 2
Executive referrals 14
Ministerial inquiries 36




Over the same period, the FPO completed a total of 261 inquiries. Of the inquiries investigated, the FPO recommended the Corporation revise its initial decision or policy interpretation in 35 situations, or in about 13 per cent of the cases reviewed.

# Corporate Performance Measures and Targets

For the 13 months ending March 31, 2020 and 12 months ending February 28, 2019.

## Financial Performance

### Net Income

*In millions*

**$180.2**
ACTUAL 2019/20

**$88.4**
ANNUAL TARGET

**$159.1**
PAST 2018/19

### Total Net Premiums Earned

*In millions*

**$1,457.9**
ACTUAL 2019/20

**$1,460.6**
ANNUAL TARGET

**$1,276.2**
PAST 2018/19

### Total Net Claims Incurred

*In millions*

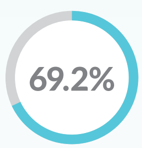
**$1,008.8**
ACTUAL 2019/20

**$1,074.4**
ANNUAL TARGET

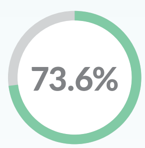
**$1,015.9**
PAST 2018/19

### Corporate Loss Ratio

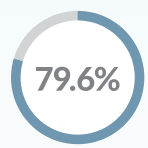
*Net Claims Incurred / Net Premiums Earned*



ACTUAL 2019/20

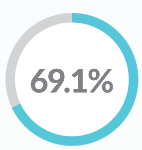


ANNUAL TARGET

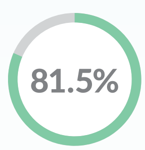


PAST 2018/19

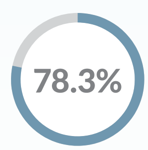
### Corporate Loss Ratio excluding Catastrophic Claims



ACTUAL 2019/20



ANNUAL TARGET



PAST 2018/19

### Interest Rate Impact

*Increase in investment income due to Interest Rate Impact*

**$47.4**
ACTUAL 2019/20

**$16.5**
PAST 2018/19

*Increase in claims due to Interest Rate Impact*

**$34.5**
ACTUAL 2019/20

**$40.9**
PAST 2018/19

*Increase/(decrease) in net income due to Interest Rate Impact*

**$12.9**
ACTUAL 2019/20

**$(24.4)**
PAST 2018/19

### Total Return — Investments

**4.51%**
ACTUAL 2019/20

**3.24%**
ANNUAL TARGET

**5.51%**
BENCHMARK 2019/20

**4.88%**
PAST 2018/19

## Rate Comparison Chart

| 2020 rates based on: 2018 Ford F150 XLT SuperCrew, $500 all-perils deductible, $2 million third-party liability | 21-Year-Old Male Claims and conviction free | 35-Year-Old Couple Both claims and conviction free | 40-Year-Old Couple Both claims and conviction free; 16-Year-Old Son Claims and conviction free |
|---|---|---|---|
| **Winnipeg, MB** | **$1,795** | **$1,421** | **$1,466** |
| Calgary, AB | $5,204 | $2,364 | $4,878 |
| Toronto, ON | $6,004 | $2,748 | $3,023 |

**Notes:** 1. The 2018 Ford F150 XLT SuperCrew is the most common passenger vehicle registered in Manitoba.
2. Manitobans will pay less for their automobile insurance in 2020 than residents of most major Canadian cities.

## Operational Excellence

### Total Full-Time Equivalent (Average)

**1,809** ACTUAL 2019/20

**1,910** ANNUAL TARGET

**1,770** PAST 2018/19

### Combined Expense Ratio

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

**21.4%** ACTUAL 2019/20

**22.6%** ANNUAL TARGET

**22.6%** PAST 2018/19

## Customer Service

### Customer Experience (CX) Index™ Score

**76.8** ACTUAL 2019

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

**Sourcing:** A commissioned study conducted by Forrester Analytics leveraging the CX Index™ framework, November 2019.

MPI has adopted an industry standard method of measuring our customer experience. Our results are generally positive, however, we will strive for improvement through our legacy systems update and continuous improvement projects.

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

## Organizational Health

### Employee Engagement

**71%** ACTUAL 2018

**75%** TARGET 2018

**73%** ACTUAL 2016

**Note:** MPI aims to conduct an employee engagement survey every 18 months. Due to COVID–19, 2020's scheduled survey has been postponed to 2021.

### Capital Adequacy (Minimum Capital Test)

*Basic*

**104%** ACTUAL 2019/20

**100%** TARGET

*Extension*

**317%** ACTUAL 2019/20

**200%** TARGET

*Special Risk Extension*

**241%** ACTUAL 2019/20

**300%** TARGET

# Results of Operations

## Corporate

During the reporting period, for every dollar of revenue earned, the Corporation provided Manitobans with 66 cents in claims benefits (comprised of 22 cents for bodily injury claims and 44 cents for physical damage claims). Claims expenses and operating expenses, including regulatory and appeal expenses, accounted for 20 cents of every dollar of revenue earned while broker commissions and premium taxes cost 9 cents. This resulted in an underwriting income of 5 cents.

Investment income added 7 cents for every dollar of revenue earned, resulting in the Corporation's net income being 12 cents for every dollar of revenue earned during the year.

### Current Year and Last Year

In April 2019, the Corporation's board approved a change to the Corporation's 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. **The current fiscal period includes the 13 months ending March 31, 2020, with comparative financial results for the 12 months ended February 28, 2019**. As a result, financial information for these periods may not be entirely comparable.

For the 13 months ending March 31, 2020 the Corporation had net income of $180.2 million, $21.0 million higher than in the prior year's 12 months ending February 28, 2019. The underwriting results were better than 2018/19 due primarily to an increase in earned revenues of $190.6 million and a decrease in other expenses of $20.8 million, offset by an increase in total claims costs of $11.7 million compared to last year. Investment income was $135.3 million lower in 2019/20 than in the previous year.

At the end of the 2019/20 fiscal year, the federal and provincial governments enacted emergency measures in response to the COVID–19 pandemic, including social distancing, travel restrictions, and the temporary closure of non-essential businesses. The impact on financial results as at March 31, 2020 include:

- Impairment losses of $67.8 million recognized on investments (primarily in equity investments), plus a loss of $8.3 million on the net impact of fluctuating interest rates in the month of March 2020.
- Additional expenses of $0.2 million incurred in March 2020, relating to items such as additional cleaning, personal protection equipment, media relations, technology to enable work-from-home arrangements, and required overtime.
- Offset with the reduction of claims (injury, collision and property damage) beginning on March 15, 2020.

COVID–19's full impact is not determinable at this time due to uncertainty regarding many factors such as customer behaviour, claims rates and the re-opening of the broader Manitoba economy. Management continues to closely monitor the impacts and costs of COVID–19.

### Revenue

Total earned revenues in 2019/20 increased $190.6 million or 14.2 per cent to $1.5 billion. This is because of the additional month in the fiscal year and the Public Utilities Board-approved 1.8 per cent overall rate increase for vehicle premiums, effective for policies renewing during the 2019/20 fiscal year. As well, the growth in the number of vehicles on the road in Manitoba and the value of these vehicles also resulted in higher premiums in 2019/20. Total earned revenues include $32.8 million received from the Province of Manitoba as part of the agreement for providing services related to *The Drivers and Vehicles Act* operations.

### Claims Costs

In 2019/20, the Corporation's overall claims costs increased by $11.7 million to remain at approximately $1.2 billion similar to 2018/19. The increase was driven by claims expenses of $175.7 million, which is $18.8 million higher than last year; and offset by claims incurred of $1.0 billion, which is $7.1 million lower than last year. Of the claims incurred amount, injury claims incurred decreased by $39.3 million while physical damage claims increased by $32.2 million.

Adjusting for changes in reserves due to interest rate movements, claims incurred decreased $0.8 million. The total number of claims filed increased by 13,288 from 297,920 in 2018/19 to 311,208 in 2019/20.

The $39.3 million decrease in injury claims incurred compared to last year is mainly due to a lower actuarial adjustment of $30.3 million. The preparation of provisions for unpaid claims and in particular provisions for unpaid bodily injury claims, requires management to make numerous estimates and judgments. Adjusting for one-time assumption changes in reserves including interest rate movements, injury claims decreased $4.3 million.

The increase of $32.2 million in physical damage claims was attributed to an increase in collision claims incurred of $40.1 million. Collision claims increased by 7,641 claims or 4.9 per cent from 156,864 claims last year to 164,505. Total severity of physical damage claims decreased $7.9 million in 2019/20.

Taking into consideration the claims incurred in the additional 13th month, overall claims experience improved year over year which is reflected in the loss ratio improvement of approximately 10 per cent. Collision frequency has continued to improve leading to positive claims results.

## Where Your Premium Dollar Has Gone

| | | |
|---|---|---|
| Net Claims Incurred — Physical Damage | $ | 0.44 |
| Net Claims Incurred — Bodily Injury | $ | 0.22 |
| Claims & Operating Expense | $ | 0.20 |
| Broker Commissions | $ | 0.06 |
| Premium Taxes | $ | 0.03 |

| | | |
|---|---|---|
| Total earned revenues | $ | 1.00 |
| – Total claims and expenses | $ | 0.95 |
| = Underwriting income | $ | 0.05 |
| + Investment income | $ | 0.07 |
| = Net income | $ | 0.12 |

### Managing Volatility

In Manitoba, one of the single most significant risks facing auto insurance claims experience is that of hail. Hail represents a large exposure from any one particular storm. Modelling of probable maximum losses on a 1-in-50 year type event predict potential losses of $196 million. When modelling for 1-in-100 year type event this maximum exposure increases to $320 million. To manage this risk, the Corporation employs a reinsurance strategy to mitigate the maximum exposure. For the 2019/20 year, reinsurance was placed to cap losses at $35 million for an aggregation of events which exceed a $1 million deductible.

From 1971 to 1996, the Corporation did not experience any significant claims costs related to hail damage requiring reinsurance recovery. However, since 1996, the once stable and consistent weather pattern has changed, resulting in the Corporation making five reinsurance claims following severe hailstorms.

While hail continues to be a significant risk exposure for the Corporation, in 2019/20 there were no catastrophic events associated with hailstorms. This favourable experience led to a better than average result for the year. Overall, hailstorms contributed $10.6 million to the Corporation's overall claims costs.

The impact to the Corporation's overall claims costs resulting from hailstorms for the last five years is:

| Fiscal Year | Gross | Net |
|---|---|---|
| 2019/20 | $11.9 million | $10.6 million |
| 2018/19 | $42.4 million | $27.7 million |
| 2017/18 | $8.3 million | $8.3 million |
| 2016/17 | $45.1 million | $45.1 million |
| 2015/16 | $52.6 million | $52.6 million |

We will continue to monitor risks posed by hail and other severe weather patterns and work within the reinsurance marketplace to source adequate coverage, limiting the amount of losses from catastrophic events.

### Expenses

Total corporate expenses of $276.5 million are $20.8 million higher than last year which was due primarily to increases in operating expenses, broker commissions and premium taxes because of the additional month in the fiscal year. Broker commissions and premium taxes are reflective of the increase in premiums. The Corporation has made strides in improving its operational efficiency as evidenced by the combined expense ratio dropping from 22.6 per cent in 2018/19 to 21.4 per cent in 2019/20.

Operating costs are allocated to Basic, Extension, Special Risk Extension and *The Drivers and Vehicles Act* operations (lines of business) representing their share of common costs such as compensation of common departments (Human Resources, Finance, Enterprise Systems Support and IT Support) that support the four lines of business. Costs are allocated through a formal and structured allocation policy developed in 2011. The external auditors have accepted the policy and, for Basic Autopac rate-setting purposes, the Public Utilities Board has approved its use. Effectively, the Corporation's integrated service delivery model ensures that the cost of providing these services is lower than if each were operated on a stand-alone basis.

### Investment Income

Total investment income net of investment management fees, fell to $107.2 million compared to $242.6 million last year, a decrease of $135.4 million. The $135.4 million decrease is primarily due to lower gains on the sale of equities. Last year's gains on the sale of equities were one-time gains as the Corporation prepared its portfolio to transition to a new asset allocation strategy for 2019/20. Additionally, there was a write-down of $67.8 million compared to no impairment last year. The $67.8 million investment impairment occurred in March 2020 as the financial markets reacted to the global pandemic. While this represents a significant downturn, the Corporation was positioned well entering the pandemic by lowering exposure to equity instruments in 2019/20 and holding predominately high-quality fixed income assets through the execution of the new asset allocation strategy. Please refer to Note 5 of the Condensed Financial Statements for a breakdown of investment income.

The Minister of Finance is responsible for investing the money that Manitoba Public Insurance sets aside for future claims payments and other liabilities. The total fair value of the Corporation's investment portfolio was $3.4 billion at March 31, 2020, an increase of $273.3 million or 8.9 per cent from the previous year. The fixed income portfolio, which accounts for 73.2 per cent of the investment portfolio, is primarily invested in four types of investments:

- Government bonds, mainly issued by the governments of Manitoba and other provinces, including floating rate notes (38.1 per cent of the total portfolio market value).
- Corporate bonds (15.9 per cent of the total portfolio).
- Private debt (3.7 per cent of the total portfolio).
- Non-marketable bonds, issued by Manitoba municipalities, hospitals and school divisions, purchased through the Manitoba Department of Finance (15.5 per cent of the total portfolio).

The Minister of Finance has selected two external investment managers to administer Manitoba Public Insurance's Canadian equity portfolio, which represents 3.1 per cent of the total investment portfolio. The Corporation also has 8.0 per cent of its portfolio in global equities with exposure through two external investment managers. Cash and cash equivalents account for 7.1 per cent of the investment fund; investment in five infrastructure holdings accounts for 3.7 per cent of investments and pooled real estate funds account for 3.6 per cent while directly held real estate investments account for 1.5 per cent of the investment portfolio.

The total portfolio, on a market value basis, had a positive 4.5 per cent return during the fiscal year (holding period return over the 13 months ended at March 31, 2020). The portfolio return is reported on a market value basis for all the assets other than the non-marketable bonds that are reported on a book value basis. Marketable bonds returned positive 6.6 per cent while non-marketable bonds returned 5.0 per cent. The private debt portfolio returned negative 2.2 per cent. The total Canadian equity portfolio decreased by 24.4 per cent; large cap Canadian equities returned negative 29.1 per cent and small cap Canadian equities returned negative 23.6 per cent. Global equities returned positive 2.1 per cent in Canadian dollars. The real estate portfolio returned 8.0 per cent while the infrastructure portfolio grew by 13.7 per cent in fiscal 2019/20. Over a four-year period, the investment portfolio has achieved an annualized return of 5.0 per cent.

## Basic

| **Basic Autopac — Five-Year Statistics ($000)** | **Mar 31, 2020** | Feb 28, 2019 | Feb 28, 2018 | Feb 28, 2017 | Feb 29, 2016 |
|---|---|---|---|---|---|
| Premiums written | **1,223,822** | 1,058,026 | 994,593 | 923,789 | 888,365 |
| Claims incurred | **864,949** | 892,258 | 767,239 | 860,035 | 666,404 |
| Claims expense | **142,354** | 126,871 | 143,337 | 120,972 | 118,614 |
| Other expenses | **174,306** | 163,393 | 154,310 | 152,853 | 148,410 |
| Net income (loss) | **130,710** | 78,837 | 34,424 | (123,070) | (56,050) |

### Current Year and Last Year

In 2019/20, Basic insurance had net income from annual operations of $130.7 million compared to $78.8 million last year, an increase of $51.9 million. Underwriting results increased by $154.5 million offset by a decrease in Basic's share of investment income and proceeds from sale of property of $102.6 million. The $154.5 million increase in underwriting results was primarily resulting from an increase in earned revenues of $153.6 million, a decrease of $10.7 million in total claims costs due to the change in interest rates which positively affected the claims reserves, offset by the actuarial adjustment of $14.9 million and an increase in expenses of $9.8 million. Basic's share of investment income and gain on the sale of property were $101.3 million and $1.3 million lower than last year respectively.

### Revenue

The number of policies in force at year end increased to 1,145,488 from 1,136,884. Total earned revenues increased to $1.2 billion from $1.1 billion last year, an increase of $153.6 million largely due to the inclusion of one additional month in fiscal 2019/20.

### Claims Costs

Total claims costs comprised of net claims incurred, claims expenses, loss prevention and road safety, decreased to $1.0 billion, $10.7 million lower than last year. The change in claims costs is comprised of a $49.4 million decrease in injury claims incurred offset by a $28.4 million increase in physical damage claims incurred and a $16.6 million increase in claims expense. The remainder of the decrease in claims costs of $6.3 million is attributable to changes in interest rates.

Including interest rate impacts, injury claims incurred decreased by $55.7 million primarily due to the year-over-year change in the actuarial adjustment which positively impacted the injury claims liabilities in relation to Personal Injury Protection Plan (PIPP) by $35.1 million, changes in interest rates which positively impacted claims by $6.3 million and a decrease in PIPP direct claims incurred of $14.3 million.

Every Manitoba resident has PIPP coverage regardless of whether they own a vehicle or not. PIPP offers guaranteed, scheduled, comprehensive, consistently applied, and timely injury benefits, for real economic loss and for permanent physiological and psychological impairments caused by the motor vehicle accident, regardless of fault. This coverage carries with Manitobans wherever they travel in Canada and the United States. PIPP helps ensure that Autopac claims costs are stabilized, and that premiums remain stable, predictable, affordable and among the lowest in Canada.

There are eight overarching coverage categories that are central to PIPP:

- Medical and personal expenses.
- Personal care assistance expenses.
- Rehabilitation expenses.
- Income replacement indemnity.
- Retirement income benefit.
- Caregiver expenses.
- Permanent impairment benefits.
- Death benefits.

Adjusting for one-time assumption changes in reserves including interest rate movements, Basic injury claims decreased $49.4 million. The number of injury claims decreased by 0.8 per cent from 16,446 to 16,320.

Physical damage claims incurred were higher compared to last year, increasing by $28.4 million. Meanwhile comprehensive claims decreased by $15.5 million compared to last year because of fewer hail claims.

## Injury Claims

| Type of Claim | Mar 31, 2020 | Feb 28, 2019 | Feb 28, 2018 | Feb 28, 2017 | Feb 29, 2016 |
|---|---|---|---|---|---|
| Fatal | **117** | **95** | 106 | 142 | 116 |
| Brain Injury | **37** | 20 | 26 | 35 | 48 |
| Concussion | **117** | 121 | 122 | 104 | 94 |
| Quadriplegic | **—** | 1 | — | — | — |
| Paraplegic | **2** | — | 1 | 2 | 3 |
| Broken Bones | **799** | 760 | 848 | 821 | 876 |
| Sprains and Strains | **7,598** | 7,878 | 8,396 | 7,858 | 7,749 |
| Whiplash | **6,166** | 6,206 | 6,808 | 6,655 | 6,237 |
| Bruising/Lacerations | **850** | 865 | 907 | 980 | 958 |
| Other | **634** | 500 | 520 | 676 | 715 |
| **Total** | **16,320** | 16,446 | 17,734 | 17,273 | 16,796 |

### Expenses

Basic expenses increased from $151.9 million last year to $161.6 million. The $9.7 million increase was due to higher broker commissions and premium taxes of $5.4 million and $4.5 million respectively — related to the increase in premiums as well as higher regulatory/appeal expense of $0.6 million, offset by lower operating expenses of $0.8 million.

### Investment Income

Basic's share of corporate investment income was $107.2 million, net of investment management fees. This was a decrease of $101.3 million, attributable mainly to the one-time gains on the sale of equities in 2018/19 as the Corporation prepared for a new asset allocation strategy as well as impairment losses on equities in 2019/20.

### Total Equity

Net income for the Basic line of business for 2019/20 increased retained earnings from $309.8 million to $440.5 million. Combined with Accumulated Other Comprehensive Losses, the Basic total equity was $406.2 million to support rate stabilization. There was no transfer to Basic retained earnings from the Extension line of business in 2019/20 ($60.0 million in 2018/19).

Basic's current capital target level is 100 per cent Minimum Capital Test (MCT). As at March 31, 2020, Basic's MCT was 104 per cent.

# Extension

| Extension — Five Year Statistics ($000) | Mar 31, 2020 | Feb 28, 2019 | Feb 28, 2018 | Feb 28, 2017 | Feb 29, 2016 |
|---|---|---|---|---|---|
| Premiums written | **167,054** | 161,294 | 156,947 | 151,303 | 144,299 |
| Claims incurred | **74,303** | 65,685 | 66,144 | 67,195 | 65,967 |
| Claims expense | **11,969** | 10,490 | 11,852 | 10,236 | 9,757 |
| Other expenses | **53,823** | 50,426 | 48,404 | 48,063 | 49,248 |
| Net income | **43,652** | 56,725 | 44,921 | 37,988 | 26,644 |

### Current Year and Last Year

Extension insurance reported net income of $43.7 million compared to $56.7 million the previous year. The $13.0 million decrease in net income was due to a $0.8 million decrease in underwriting results, a $12.1 million decrease in Extension's share of investment income and a decrease in Extension's share of a gain on sale of property of $0.1 million.

### Revenue

Earned revenues from the sale of Extension products increased by $12.7 million to $183.7 million compared to last year. All products, including the sale of coverage for deductible buy down and third party liability, contributed to the increase.

### Claims Costs

Total claims costs — including claims benefits, claims handling, loss prevention and road safety expenses — increased $10.2 million to $87.3 million. Physical damage claims incurred were $4.9 million higher compared to last year and injury claims incurred were $3.7 million higher. Claims expenses were higher than last year by $1.6 million.

### Expenses

Expenses related to the sale of Extension products was $52.8 million, an increase of $3.2 million from the previous year. This increase was due to higher broker commissions of $2.7 million, operating expenses of $0.2 million and premium taxes of $0.3 million.

### Investment Income

Extension's share of corporate investment income of $0.1 million, including investment management fees, was $12.1 million lower than last year.

### Retained Earnings

Extension's total retained earnings are comprised of retained earnings from the sale of Extension products. As at March 31, 2020, Extension retained earnings totalled $142.9 million compared to $99.2 million the previous year. Extension's current capital target level is 200 per cent MCT. As at March 31, 2020, Extension's MCT was 317 per cent.

## Special Risk Extension

| SRE — Five Year Statistics ($000) | Mar 31, 2020 | Feb 28, 2019 | Feb 28, 2018 | Feb 28, 2017 | Feb 29, 2016 |
|---|---|---|---|---|---|
| Premiums written | **115,485** | 96,292 | 80,810 | 78,328 | 70,521 |
| Claims incurred | **69,569** | 57,979 | 50,460 | 54,068 | 38,253 |
| Claims expense | **6,926** | 6,471 | 6,393 | 5,895 | 6,140 |
| Other expenses | **23,557** | 20,056 | 18,679 | 17,961 | 17,692 |
| Net income | **12,363** | 22,209 | 10,886 | 3,193 | 4,650 |

### Overview

Manitoba Public Insurance supports Manitoba businesses by offering commercial coverage options through the Special Risk Extension (SRE) program. Commercial insurance needs can vary. Therefore, the Corporation offers a full range of products to suit policyholders' unique needs, including a variety of deductible, coverage, and liability limit options. In addition to this, SRE also offers general liability and motor truck cargo coverage options to the Manitoba trucking industry. Purchasing SRE coverage entitles companies to the benefits of our SRE Fleet Safety and Loss Prevention Services at no additional cost. Benefits to Manitoba companies include identifying safety concerns and helping raise safety awareness in order to reduce accidents, reduce operating costs, improve customer retention, and decrease claims.

### Current Year and Last Year

SRE insurance reported a net income of $12.4 million, a decrease of $9.9 million from the previous year. SRE's underwriting results increased by $6.1 million which was offset by SRE's share of investment income and gain on sale of property which decreased by $18.4 million and $0.1 million, respectively.

### Revenue

Total earned revenues in 2019/20 were $111.3 million compared to $89.7 million the previous year. The sale of SRE products, which include large trucking companies' liability, cargo and physical damage coverage, showed continued growth compared to last year.

### Claims Costs

Total claims costs of $77.3 million increased from $65.2 million in 2018/19. Injury claims incurred increased $13.0 million, and claims expense, including loss prevention and road safety costs increased by $0.5 million from the previous year. This was offset by a decrease in physical damage claims incurred and discontinued operations of $1.1 million and $0.3 million, respectively.

### Expenses

SRE's expenses increased to $22.8 million from $19.4 million, due to an increase in broker commissions of $2.5 million, premium taxes of $0.6 million, and operating expenses of $0.3 million.

### Investment Income

SRE's share of corporate investment income, including investment management fees, was $1.1 million, a decrease of $15.8 million compared to last year.

### Retained Earnings

SRE's retained earnings are derived from the annual operations of the SRE line of business. SRE's retained earnings were $116.3 million as at March 31, 2020, compared to $103.9 million as at February 28, 2019. SRE's current capital target level is 300 per cent MCT. As at March 31, 2020, SRE's MCT was 241 per cent.

## *The Drivers and Vehicles Act* Operations

### Current Year and Last Year

*The Drivers and Vehicles Act* (DVA) operations experienced a net loss of $6.6 million in 2019/20 compared to net income of $1.4 million last year.

### Revenue

The government provides funding to the Corporation that covers the cost of the DVA administrative operation. In 2019/20, the Corporation received $32.8 million from the Province of Manitoba and reported $1.2 million in service fees and other revenue, resulting in overall revenue being on par with the previous year on a pro-rata basis.

### Expenses

DVA operations' expenses of $39.3 million were up $4.3 million from last year's expenses of $35.0 million primarily due to increased operating expenses of $4.2 million and broker commissions of $0.1 million. The increased operating expenses are primarily due to one-time initiatives that were required to be undertaken as part of the DVA line of business along with the additional month reported in fiscal 2019/20.

### Investment Income

DVA operations' portion of corporate investment income, including investment management fees, decreased to a loss of $1.2 million, $6.2 million lower compared to last year.

### Retained Earnings

DVA operations' retained earnings are derived from the annual operations of the DVA operations line of business. DVA operations' retained earnings were ($7.8 million), compared to ($1.2 million) the previous year.

# Risk Management

Like any enterprise, Manitoba Public Insurance assumes risks in its operations that must be handled effectively in order to achieve its goals.

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

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

- Risk identification and assessment of impact if there were no risk mitigation actions in place.
- Risk monitoring procedures.
- Processes and controls to manage and mitigate risks.
- The residual risk after consideration of management action.

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

The key risk mitigation areas are:

- Maintaining adequate unpaid claims reserve.
- Maintaining an adequate Rate Stabilization Reserve.
- Governance of investments.
- Claims control strategies.
- Information technology processes.
- Project Nova risk assessments and management.
- Loss prevention strategies.

## Unpaid Claims

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

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

For Manitoba Public Insurance, long-lasting injury claims are the largest source of year-to-year variability in the estimate of ultimate costs. This variability and volatility is related to future events that arise from the date of loss to the ultimate settlement of the claims. Accordingly, short-tail claims, such as physical damage claims, tend to be more reasonably predictable than long-tail claims such as Personal Injury Protection Plan (PIPP) and public liability claims. For Manitoba Public Insurance, factors such as the effects of inflationary trends and changing interest rates contribute to this variability. Investment portfolio management techniques help to reduce this potential volatility.

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

## Capital Management

The Corporation's objectives for managing capital are to ensure 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 Accumulated Other Comprehensive Income. Retained Earnings are comprised of the accumulation of net income (loss) for the Basic and non-Basic lines of business. Non-Basic lines of business consist of Extension and Special Risk Extension (SRE) lines of business and *The Drivers and Vehicles Act* operations.

The capital backing Basic is comprised of the total equity position of the line of business, referred to as the Rate Stabilization Reserve (RSR). The purpose of the RSR is to protect motorists from rate increases that would otherwise be necessary due to unexpected variances from forecasted results, and due to events, and losses arriving from non-recurring events or factors.

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

Reserves Regulation 76/2019, of *The Manitoba Public Insurance Corporation Act* sets out the Corporation's capital targets expressed as a MCT percentage by line of business as follows:

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

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 while the 200 per cent MCT target for Extension reflects the higher risks of operating in a competitive environment. SRE's 300 per cent MCT target reflects the higher risk exposure of commercial trucking fleets operating out-of-province.

As at March 31, 2020 Basic's MCT was 104 per cent (February 28, 2019 — 52 per cent), Extension's MCT was 317 per cent (February 28, 2019 — 317 per cent), and SRE's MCT was 241 per cent (February 28, 2019 — 368 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. Basic, Extension and SRE were all determined to have satisfactory future financial conditions as at March 31, 2020 based on the assessment of the Chief Actuary.

## Claims Control Strategies

Manitoba Public Insurance works diligently to ensure that the premiums entrusted to the Corporation by ratepayers are used efficiently and judiciously, while providing the best customer service possible when paying out on claims. This includes ongoing and active monitoring of claims costs. Our cost-control measures with respect to claims management include:

- Management of an accreditation program for the collision repair industry to ensure cost effective, proper, quality, and safe repairs. The program requires repair shops and their technicians to meet high standards for facilities, equipment, and annual technician training.
- Research to identify, understand and measure factors that impact vehicle repair costs.
- Use of estimatics software, along with Manitoba Public Insurance estimating standards consistent with industry best practices to ensure all repair estimates are prepared accurately and consistently, and in a cost effective manner, ensuring that only required repairs are performed.
- Use of repair shop performance measures to measure severity, reduce administrative efforts, and confirm cost-effective repairs while also improving the customer experience.
- Use of post-repair audits and the execution of recoveries to address discrepancies and deviation from estimating standards and policies to ensure conformance by collision repair business partners.
- Use of industry-recognized valuation tools to determine accurate actual cash value (ACV) of vehicles when settling total loss claims.
- Use of aftermarket, re-manufactured and recycled parts in vehicle repairs when appropriate.
- Obtaining discounted pricing from vendors on glass parts used in vehicle repairs.
- Maximizing the recovery of claims costs from other insurers and at-fault parties (subrogation).
- Identifying and combatting fraudulent claims.
- Sale of autos through salvage and tenders.
- A goal oriented and team-based approach to managing PIPP claims that helps individuals realize their full recovery potential, while ensuring the judicious and efficient use of corporate resources.
- Use of case management productivity metrics with real-time data to understand and manage the work flow effectively, thereby improving efficiency and effectiveness.
- Use of centralized and standardized PIPP claims reserving to improve predictability around premium requirements, and the forecasting of injury claims.

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

## Information Technology Processes

### Business Continuity

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

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

### Project Nova Risk Assessments and Management

Project Nova is a corporate initiative to modernize the Corporation's existing core computer systems to deliver products and services to personal and commercial customers with greater business agility, and improved customer experience while reducing the Corporation's technology risk and costs.

The initiative's overall objective is to modernize our current in-house applications and technology footprint used today to deliver services for:

- Personal and commercial automobile insurance;
- Driver licensing, vehicle registration, and associated registries;
- Physical damage claims.

It was established with a vision to modernize and transform MPI's in-house legacy applications and technology footprint and deliver the following key business objectives:

- Stable technology platform — MPI envisions significantly lowering the downtime and technology risks to perform day-to-day service transactions by moving to modern technology and exploring customer online functionality.
- Cost effective — MPI aims to bring down the current operating costs and IT risks of managing and supporting legacy systems by moving into new commercial off-the-shelf (COTS) applications for property and casualty (P&C) insurance, and driver licensing and vehicle registration.
- Agility to meet future business needs — MPI will be better equipped to implement new legislation and offer new services.
- Secured solution — Improved infrastructure to protect customer information from security threats.
- Availability and device portability to external partners — MPI envisions more around-the-clock availability via desktop and mobile platforms.
- Modernizing commercial insurance — Allows MPI to modernize the manual SRE/commercial insurance products.
- Customer experience — Transforming customer service delivery channels resulting in enhanced customer experience.
- Online services — Expanding online service offerings for high volume, low complexity service transactions.

## Loss Prevention Strategies

Loss Prevention programs and activities support Manitoba Public Insurance's objective to reduce claims and claims costs, which ultimately contributes to lower insurance premiums for ratepayers. MPI is uniquely positioned to deliver these programs which are intended to educate, influence, and incent safe driving behaviour.

Manitoba Public Insurance's programs are strategically selected, are evidence-based, and are continually evaluated and proven effective. These programs demonstrate value for Manitobans resulting in safer roadways and positive impact on premiums.

The Corporation hosted a two-day Road Safety Technical Conference in April 2019 to review its many initiatives that support road safety and loss prevention in Manitoba. The technical conference provided a unique opportunity to bring road safety partners and stakeholders together to discuss the state of road safety in Manitoba. The conference also presented the opportunity for meaningful dialogue and exchange of ideas. Participant feedback was largely positive, and all stakeholders appreciated the sharing of different perspectives.

In 2019, the Government of Manitoba approved continued focus on the key priority action items identified by the Manitoba Infrastructure and MPI-led working groups in support of the *Road to Zero: Manitoba Road Safety Plan 2017–2020*. A Progress Report was also released in 2019, documenting Manitoba's advancement toward having the safest roads in Canada and one day achieving zero traffic fatalities on our roadways.

In alignment with Road to Zero, Manitoba Public Insurance continued its innovative traffic safety culture initiative "Save the 100", which actively communicates that all drivers and roadway users play a part in making our roads safer. In 2019, a new campaign "Friendly Manitoba," demonstrated how angry or aggressive driving is also unsafe driving as compared to a calm and considerate approach which can help eliminate human injury and death on Manitoba roads.

Other significant public awareness campaigns this year tackled cannabis-impaired driving, auto insurance fraud and auto theft. With the legalization of non-medical cannabis in Canada in 2018, Manitoba Public Insurance continued its awareness messaging about the risks associated with cannabis use and driving. Our campaign tagged "Are you high?" took a light-hearted approach to demonstrating the reduced concentration and coordination of drivers after consuming cannabis. Our auto insurance fraud campaign repeated the message of avoidance, detection and prosecution, while our vehicle theft campaign encouraged vehicle owners to protect their keys. Both initiatives provided key facts to Manitobans about how these issues impact them directly and what they can do to make a difference.

Each year, Manitoba Public Insurance provides High School Driver Education (HSDE) to over 10,000 new teen drivers in Manitoba. In May of 2019, 21 newly formatted HSDE Driver Z courses were launched in pilot mode. The feedback received from these courses was used to improve the customer experience within the new Driver Z online application and the facilitative classroom sessions which foster a participative learning experience. The Driver Z supervising driver or "co-pilot" tools were well received by parents/guardians. These tools provide guidance and information on rules of the road and are accompanied by procedural videos to enhance students' practice time experience.

The Mandatory Entry Level Training (MELT) requirement for Class 1 driver licensing became effective September 1, 2019. To ensure the readiness of and consistency of content, MPI developed the MELT curriculum, implemented policies and recommended legislative changes. In 2019, Manitoba Public Insurance approved over 18 Class 1 driving schools to conduct MELT courses. MPI continues to provide support and oversight to these schools to ensure quality of education and compliance with course curriculum. The introduction of MELT is intended to improve road safety and ensure harmonization with other jurisdictions in Canada.

# Outlook

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

## Basic Autopac Rates

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

On June 20, 2019, Manitoba Public Insurance filed its 2020/21 General Rate Application for Basic insurance rates with the Public Utilities Board. The application sought approval of a 0.1 per cent overall rate increase.

On December 3, 2019, the Public Utilities Board released its ruling (Order 176/19) on the Corporation's rate application for the 2020/21 fiscal year. Effective March 1, 2020, overall average Basic insurance rates will decrease by 0.6 per cent from the previous year. There will be no change to permit and certificate rates, vehicle premium discounts, service and transaction fees, or fleet rebates or surcharges.

## Asset Allocation Strategy

In the first half of 2019/20, the Corporation implemented its new asset allocation strategy. Based on work completed in a recent asset-liability study, a number of significant changes were 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.

## Reinsurance Strategy

Reinsurance is utilized to mitigate risk and lower capital requirements. For 2019/20, the catastrophic reinsurance structure was changed from a per-event basis to an aggregate cover which will cap cumulative annual losses for severe weather storms such as hail and wind at $35 million. This change in structure will better utilize the Corporation's reinsurance premium dollars to reduce financial risk and improve rate stability.

## COVID–19 Pandemic Response

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 to policyholders as opposed to future rate reductions to Basic premiums via the Corporation's Capital Management Plan's 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 to 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 totalling $109.9 million.

## Product Review

The Corporation continually assesses its product offering to ensure that Basic Autopac is meeting the needs of all Manitobans. Certain aspects of the Basic coverage and limits were reviewed and based on this review, the Corporation will be making coverage changes to several products. These coverage changes, applicable to new policies purchased on or after April 1, 2021, will provide greater customer choice and protection to Manitobans.

The product changes include the following:

- Basic Third Party Liability coverage increases from $200,000 to $500,000.
- Maximum Insured Value increases from $50,000 to $70,000.
- Basic Autopac deductibles for passenger vehicles and motorcycles increase from $500 to $750.
    - Optional deductible levels for passenger vehicles are $200 Plus, $200 Standard, $300 and $500.
    - $200 Plus waives deductibles for collision with an animal, glass repair, theft/attempted theft, and vandalism.
    - $200 Standard waives deductibles for collision with an animal, and theft/attempted theft.
    - Optional deductible levels for motorcycles are $200, $300 and $500.

# Responsibility for Financial Statements

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 Manitoba Public Insurance Corporation's (the "Corporation") 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 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 Corporation in accordance with International Financial Reporting Standards.

**Benjamin Graham**
PRESIDENT AND CHIEF
EXECUTIVE OFFICER
July 22, 2020

**Mark Giesbrecht, CPA, CGA**
VICE-PRESIDENT, FINANCE AND
CHIEF FINANCIAL OFFICER

# Independent Auditors' Report

pwc

## Report of the Independent auditor on the condensed financial statements

To the Board of Directors of Manitoba Public Insurance Corporation

### Our opinion

In our opinion, the accompanying condensed financial statements of Manitoba Public Insurance Corporation (the Corporation) are a fair summary of the audited financial statements, on the basis described in note 2 to the condensed financial statements.

### The condensed financial statements

The Corporation's condensed financial statements derived from the audited financial statements for the 13 month period ended March 31, 2020 comprise:

- the condensed statement of financial position as at March 31, 2020;
- the condensed statement of operations for the 13-month period then ended;
- the condensed statement of comprehensive income (loss) for the 13 month period then ended;
- the condensed statement of changes in equity for the 13 month period then ended;
- the condensed statement of cash flows for the 13 month period then ended; and
- the related notes to the condensed financial statements.

The condensed financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Reading the condensed financial statements and the auditor's reports thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's reports thereon. The audited financial statements, and the condensed financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on the audited financial statements.

### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated July 22, 2020.

### Management's responsibilities for the summary financial statements

Management is responsible for the preparation of the summary financial statements on the basis described in note 2.

### Auditor's responsibilities

Our responsibilities is to express an opinion on whether the condensed financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements.*

**Charted Professional Accountants**
Winnipeg, Manitoba
July 22, 2020

# Actuary's Report

JSCP®
ACTUARIES Who Care®
J. S. CHENG & PARTNERS INC.

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its 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

# Condensed Financial Statements

*These financial statements are condensed and should be read in conjunction with the annual audited financial statements. The March 31, 2020 audited financial statements are available at mpi.mb.ca or upon request.*

## Condensed Statement of Financial Position

| (in thousands of Canadian dollars) | *Notes* | **March 31, 2020** ***(Note 2)*** | February 28, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 4 | **236,815** | 193,108 |
| Investments | 4 | **3,069,398** | 2,839,530 |
| Investment property | 4 | **48,798** | 49,027 |
| Due from other insurance companies | | **389** | 1,603 |
| Accounts receivable | | **485,567** | 496,108 |
| Prepaid expenses | | **4,374** | 1,603 |
| Deferred policy acquisition costs | | **51,240** | 32,510 |
| Reinsurers' share of unearned premiums | | **218** | 142 |
| Reinsurers' share of unpaid claims | | **5,368** | 9,814 |
| Property and equipment | | **114,055** | 114,936 |
| Deferred development costs | | **44,034** | 57,562 |
| | | **4,060,256** | 3,795,943 |
| **Liabilities** | | | |
| Due to other insurance companies | | **702** | 2,369 |
| Accounts payable and accrued liabilities | | **85,591** | 109,676 |
| Lease obligation | | **7,070** | 3,988 |
| Unearned premiums and fees | | **696,966** | 673,414 |
| Provision for employee current benefits | | **24,298** | 22,840 |
| Provision for employee future benefits | | **448,660** | 456,926 |
| Provision for unpaid claims | 6 | **2,149,980** | 2,084,632 |
| | | **3,413,267** | 3,353,845 |
| **Equity** | | | |
| Retained Earnings | | **691,912** | 511,753 |
| Accumulated Other Comprehensive Loss | | **(44,923)** | (69,655) |
| | | **646,989** | 442,098 |
| | | **4,060,256** | 3,795,943 |

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

*Approved by the Board of Directors:*

**Dr. Mike Sullivan**
CHAIRPERSON OF THE BOARD

**Domenic Grestoni, CPA, CGA, ICD.D**
CHAIR, AUDIT, FINANCE & RISK COMMITTEE

## Condensed 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 | | **1,526,194** | 1,332,345 |
| Premiums ceded to reinsurers | | **(19,833)** | (16,733) |
| Net premiums written | | **1,506,361** | 1,315,612 |
| Increase in gross unearned premiums | | **(48,575)** | (39,404) |
| Increase in reinsurers' share of unearned premiums | | **76** | 9 |
| Net premiums earned | | **1,457,862** | 1,276,217 |
| Service fees & other revenue | | **43,405** | 36,982 |
| *The Drivers and Vehicles Act* operations recovery | | **32,771** | 30,250 |
| **Total Earned Revenues** | | **1,534,038** | 1,343,449 |
| **Claims Costs** | | | |
| Direct claims incurred—gross | | **1,009,465** | 1,031,851 |
| Claims recovered ceded to reinsurers | | **(644)** | (15,926) |
| Net claims incurred | | **1,008,821** | 1,015,925 |
| Claims expense | | **161,236** | 143,832 |
| Loss prevention/Road safety | | **14,495** | 13,146 |
| **Total Claims Costs** | | **1,184,552** | 1,172,903 |
| **Expenses** | | | |
| Operating | | **130,906** | 126,971 |
| Commissions | | **96,347** | 85,638 |
| Premium taxes | | **44,329** | 38,788 |
| Regulatory/Appeal | | **4,953** | 4,329 |
| **Total Expenses** | | **276,535** | 255,726 |
| **Underwriting income (loss)** | | **72,951** | (85,180) |
| **Investment income** | 5 | **107,221** | 242,586 |
| **Gain (loss) on disposal of property and equipment** | | **(13)** | 1,739 |
| **Net income from operations** | | **180,159** | 159,145 |

## Condensed 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** | | **180,159** | 159,145 |
| **Other Comprehensive Income (Loss)** | | | |
| Items that will not be reclassified to income | | | |
| Remeasurement of Employee Future Benefits | | **22,035** | 3,918 |
| Items that will be reclassified to income | | | |
| Unrealized gains (loss) on Available for Sale assets | | **(49,027)** | 1,976 |
| Reclassification of net realized losses (gains) related to Available for Sale assets | | **51,724** | (121,956) |
| Net unrealized gains (losses) on Available for Sale assets | | **2,697** | (119,980) |
| Other Comprehensive Income (Loss) for the year | | **24,732** | (116,062) |
| **Total Comprehensive Income** | | **204,891** | 43,083 |

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

## Condensed Statement of Changes in Equity

| (in thousands of Canadian dollars) | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Equity |
|---|---|---|---|
| Balance as at March 1, 2018 | 352,608 | 46,407 | 399,015 |
| Net income from operations for the year | 159,145 | — | 159,145 |
| Other comprehensive loss for the year | — | (116,062) | (116,062) |
| Balance as at February 28, 2019 | **511,753** | **(69,655)** | **442,098** |
| Net income from operations for the period | **180,159** | — | **180,159** |
| Other comprehensive income for the period | — | **24,732** | **24,732** |
| **Balance as at March 31, 2020** | **691,912** | **(44,923)** | **646,989** |

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

## Condensed 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 | | **180,159** | 159,145 |
| Non-cash items | | | |
| Depreciation of property and equipment, and investment property | | **7,205** | 4,832 |
| Amortization of deferred development costs | | **19,573** | 24,298 |
| Amortization of bond discount and premium | | **6,712** | 4,133 |
| Gain on sale of investments | | **(130,294)** | (130,167) |
| Unrealized gain on Fair Value Through Profit or Loss bonds | | **(24,872)** | (10,144) |
| Unrealized (gain) loss on pooled real estate fund | | **80,560** | (20,295) |
| Unrealized gain on infrastructure investments | | **(12,330)** | (10,904) |
| Unrealized loss on private debt | | **321** | — |
| Loss (gain) on disposal of property and equipment | | **13** | (1,739) |
| Impairment of Available for Sale investments | | **67,761** | — |
| Impairment of deferred development cost | | **1,841** | 3,026 |
| | | **196,649** | 22,185 |
| Net change in non-cash balances | | | |
| Due from other insurance companies | | **1,214** | (1,600) |
| Accounts receivable and prepaid expenses | | **7,770** | (18,576) |
| Deferred policy acquisition costs | | **(18,730)** | (7,783) |
| Reinsurers' share of unearned premiums and unpaid claims | | **4,370** | (7,371) |
| Due to other insurance companies | | **(1,667)** | 2,198 |
| Accounts payable and accrued liabilities | | **(24,085)** | 40,459 |
| Unearned premiums and fees | | **23,552** | 44,577 |
| Provision for employee current benefits | | **1,458** | 467 |
| Provision for employee future benefits | | **15,357** | 14,386 |
| Provision for unpaid claims | | **65,348** | 171,898 |
| | | **74,587** | 238,655 |
| | | **271,236** | 260,840 |
| **Cash Flows from (to) Investing Activities** | | | |
| Purchase of investments | | **(1,604,718)** | (1,179,471) |
| Proceeds from sale of investments | | **1,386,992** | 1,039,807 |
| Acquisition of property and equipment net of proceeds from disposals | | **(3,412)** | (1,275) |
| Lease obligation | | **1,495** | (104) |
| Deferred development costs incurred | | **(7,886)** | (15,695) |
| | | **(227,529)** | (156,738) |
| **Increase in Cash and Cash Equivalents** | | **43,707** | 104,102 |
| Cash and cash equivalents beginning of year | | **193,108** | 89,006 |
| **Cash and Cash Equivalents end of year** | 5 | **236,815** | 193,108 |
| | | | |
| **Supplemental cash flow information** | | | |
| Interest received | | **81,766** | 55,053 |
| Dividends received | | **16,900** | 16,535 |

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

# Notes to Condensed Financial Statements

**March 31, 2020**

## 1. Status of Corporation

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown corporation under *The Automobile Insurance Act* in 1970. The Corporation is owned by the Province of Manitoba and the financial results of the Corporation are included in the consolidated financial statements of the Province of Manitoba. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba. The address of the Corporation's registered office is 234 Donald Street, Winnipeg, Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for Basic Universal Compulsory Automobile Insurance, Extension and Special Risk Extension coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations, the operations are reported as part of the Special Risk Extension line of business. The Basic Universal Compulsory Automobile Insurance line of business rates are approved by the Public Utilities Board of Manitoba.

Under *The Drivers and Vehicles Act* (DVA), the Corporation is responsible for DVA operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

## 2. Basis of Reporting

### Statement of Compliance

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 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.

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

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

The following balances are generally 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 Corporation, is seasonal in nature. While net premiums earned are generally stable from quarter to quarter, underwriting income is typically highest in the first and second quarter of each year and lowest in the fourth quarter of each year. This is driven mainly by weather conditions which may vary significantly between quarters.

### Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 3 of the March 31, 2020 audited financial statements available at mpi.mb.ca. 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 3.

### 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.

## 3. Summary of Significant Accounting Policies

For a complete listing of significant accounting policies, please refer to the March 31, 2020 audited financial statements available at mpi.mb.ca.

The following are excerpts from the summary of significant accounting policies contained in the audited financial statements and do not represent full disclosure of significant accounting policies.

### Investments

Funds available for investments are managed by 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.

### 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.

### 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 4 of the March 31, 2020 audited financial statements available at mpi.mb.ca for further information on the fair value of financial instruments.

### 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.

### 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.

### 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 year-end and the carrying value at the previous year-end or purchase value during the year, less the reversal of previously recognized unrealized gains or losses in respect of disposals during the year.

### 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 incurred but not reported. 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.

### 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.

### Comprehensive Income

Comprehensive income consists of net income 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.

## 4. 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 $130.7 million (February 28, 2019 — $184.3 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

| As at March 31, 2020 (in thousands of Canadian dollars) | Financial Instruments Classified as AFS | Classified as HTM | Classified as FVTPL | Non-Financial Instruments | Total Carrying Value |
|---|---|---|---|---|---|
| Cash and cash equivalents | 236,815 | – | – | – | 236,815 |
| 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 | 100,790 | – | 907,674 | – | 1,008,464 |
| Municipal | – | – | 74,220 | – | 74,220 |
| Corporations | 134,027 | – | 398,456 | – | 532,483 |
| | 240,652 | 519,853 | 1,570,288 | – | 2,330,793 |
| Private Debt | 109,707 | – | 13,346 | – | 123,053 |
| Other investments | 349 | – | – | – | 349 |
| Infrastructure | – | – | 123,663 | – | 123,663 |
| Equity investments | 371,703 | – | – | – | 371,703 |
| Pooled real estate fund | – | – | 119,837 | – | 119,837 |
| Investments | 722,411 | 519,853 | 1,827,134 | – | 3,069,398 |
| Investment property | – | – | – | 48,798 | 48,798 |
| **Total** | 959,226 | 519,853 | 1,827,134 | 48,798 | 3,355,011 |

| As at February 28, 2019 (in thousands of Canadian dollars) | Financial Instruments Classified as AFS | Classified as HTM | Classified as FVTPL | Non-Financial Instruments | Total Carrying Value |
|---|---|---|---|---|---|
| Cash and cash equivalents | 193,108 | – | – | – | 193,108 |
| Bonds | | | | | |
| Federal | – | – | 29,402 | – | 29,402 |
| Manitoba: | | | | | |
| Provincial | – | – | 127,338 | – | 127,338 |
| Municipal | – | 24,707 | 32,396 | – | 57,103 |
| Schools | – | 546,309 | – | – | 546,309 |
| Other provinces: | | | | | |
| Provincial | – | – | 1,038,694 | – | 1,038,694 |
| Municipal | – | – | 64,975 | – | 64,975 |
| Corporations | – | – | 114,813 | – | 114,813 |
| | – | 571,016 | 1,407,618 | – | 1,978,634 |
| Other investments | 378 | – | – | – | 378 |
| Infrastructure | – | – | 111,996 | – | 111,996 |
| Equity investments | 465,206 | – | – | – | 465,206 |
| Pooled real estate fund | – | – | 283,316 | – | 283,316 |
| Investments | 465,584 | 571,016 | 1,802,930 | – | 2,839,530 |
| Investment property | – | – | – | 49,027 | 49,027 |
| **Total** | 658,692 | 571,016 | 1,802,930 | 49,027 | 3,081,665 |

## 5. Investment Income

| For the periods ended (in thousands of Canadian dollars) | 13 months ended March 31, 2020 | 12 months ended February 28, 2019 |
|---|---|---|
| Interest income | 75,863 | 55,421 |
| Gain on sale of FVTPL bonds | 22,544 | 6,349 |
| Unrealized gain on FVTPL bonds | 24,872 | 10,144 |
| Unrealized gain (loss) on pooled real estate fund | (80,560) | 20,295 |
| Unrealized loss on private debt | (321) | — |
| Dividends on infrastructure investments | 4,042 | 2,514 |
| Realized gain on infrastructure investments | — | 1,878 |
| Unrealized gain on infrastructure investments | 12,330 | 10,904 |
| Foreign exchange gain (loss) on infrastructure investments | (16) | 24 |
| Dividend income | 11,097 | 13,699 |
| Gain on sale of equities and other investments | 16,037 | 121,956 |
| Loss on foreign exchange | (351) | (40) |
| Income from investment property | 2,524 | 3,604 |
| Realized gain on pooled real estate fund | 92,080 | — |
| Impairment of AFS investments | (67,761) | — |
| Investment management fees | (5,159) | (4,162) |
| **Total** | 107,221 | 242,586 |

## 6. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as Personal Injury Protection Plan (PIPP) and public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends, and effects of inflationary trends contributes to this variability.

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

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<br>Reinsurance Ceded | Net |
|---|---|---|---|
| Insurance Contract Provisions | | | |
| Outstanding case reserves | **1,414,640** | **4,126** | **1,410,514** |
| Provision for incurred but not reported claims | **456,750** | **1,056** | **455,694** |
| Provision for internal loss adjusting expenses | **207,783** | **—** | **207,783** |
| Effect of discounting | **(194,622)** | **(97)** | **(194,525)** |
| Provision for adverse deviation | **265,429** | **283** | **265,146** |
| Provision for Unpaid Claims | **2,149,980** | **5,368** | **2,144,612** |
| Provision for Unearned Premiums | **666,949** | 218 | **666,731** |
| **Total Insurance Contract Provisions** | **2,816,929** | **5,586** | **2,811,343** |

| (in thousands of Canadian dollars) | Gross | February 28, 2019<br>Reinsurance Ceded | Net |
|---|---|---|---|
| Insurance Contract Provisions | | | |
| Outstanding case reserves | 1,399,248 | 7,233 | 1,392,015 |
| Provision for incurred but not reported claims | 458,554 | 2,302 | 456,252 |
| Provision for internal loss adjusting expenses | 195,218 | — | 195,218 |
| Effect of discounting | (227,410) | (246) | (227,164) |
| Provision for adverse deviation | 259,022 | 525 | 258,497 |
| Provision for Unpaid Claims | 2,084,632 | 9,814 | 2,074,818 |
| Provision for Unearned Premiums | 618,374 | 142 | 618,232 |
| Total Insurance Contract Provisions | 2,703,006 | 9,956 | 2,693,050 |

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

| (in thousands of Canadian dollars) | Gross | March 31, 2020<br>Reinsurance Ceded | Net |
|---|---|---|---|
| Insurance Contract Provisions | | | |
| Outstanding case reserves | **1,414,640** | **4,126** | **1,410,514** |
| Provision for incurred but not reported claims | **456,750** | **1,056** | **455,694** |
| Provision for internal loss adjusting expenses | **207,783** | **—** | **207,783** |
| Effect of discounting | **(194,622)** | **(97)** | **(194,525)** |
| Provision for adverse deviation | **265,429** | **283** | **265,146** |
| Provision for Unpaid Claims | **2,149,980** | 5,368 | **2,144,612** |
| Provision for Unearned Premiums | **666,949** | 218 | **666,731** |
| **Total Insurance Contract Provisions** | **2,816,929** | **5,586** | **2,811,343** |

| (in thousands of Canadian dollars) | Gross | February 28, 2019<br>Reinsurance Ceded | Net |
|---|---|---|---|
| Insurance Contract Provisions | | | |
| Outstanding case reserves | 1,399,248 | 7,233 | 1,392,015 |
| Provision for incurred but not reported claims | 458,554 | 2,302 | 456,252 |
| Provision for internal loss adjusting expenses | 195,218 | — | 195,218 |
| Effect of discounting | (227,410) | (246) | (227,164) |
| Provision for adverse deviation | 259,022 | 525 | 258,497 |
| Provision for Unpaid Claims | 2,084,632 | 9,814 | 2,074,818 |
| Provision for Unearned Premiums | 618,374 | 142 | 618,232 |
| Total Insurance Contract Provisions | 2,703,006 | 9,956 | 2,693,050 |

## 7. Employee Future Benefits Expense

| (in thousands of Canadian dollars) | 2020 | 2019 |
|---|---|---|
| Pension benefits | 30,325 | **28,766** |
| Other post-employment benefits | 4,542 | **5,438** |
| **Total** | 34,867 | **34,204** |

## 8. Depreciation and Amortization

| (in thousands of Canadian dollars) | 2020 | 2019 |
|---|---|---|
| Amortization — deferred development | 19,573 | **24,298** |
| Depreciation — property and equipment | 5,867 | **4,832** |

# Manitoba Public Insurance Locations

## Customer Service

**Winnipeg**
T: 204–985–7000

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

**Deaf Access TTY/TDD**
T: 204–985–8832

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

## Administrative Offices

**Winnipeg**
234 Donald Street
Box 6300 R3C 4A4

**Brandon**
731 1st Street R7A 6C3

## Service Locations

### Winnipeg

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

**cityplace**
234 Donald Street

*Service Centre, Main Floor*

*ID Verification and Data Integrity*

*Rehabilitation Management Centre*

*Serious and Long-Term Case Management Centre*

*Bodily Injury Centre*

**Physical Damage Centre**
1981 Plessis Road

*Holding Compound/Receiving*

*Salvage*

*Commercial Claims*

### Outside Winnipeg

**Arborg Service Centre**
323 Sunset Boulevard

**Beausejour Service Centre**
848 Park Avenue

**Brandon Service Centre**
731 1st Street

**Dauphin Service Centre**
217 Industrial Road

**Portage La Prairie Service Centre**
2007 Saskatchewan Avenue West

**Selkirk Service Centre**
1008 Manitoba Avenue

**Steinbach Service Centre**
91 North Front Drive

**Swan River Claim Centre**
125 4th Avenue North

**The Pas Claim Centre**
424 Fischer Avenue

**Thompson Service Centre**
53 Commercial Place

**Winkler Service Centre**
355 Boundary Trail

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