



MANITOBA
PUBLIC INSURANCE

Universal Compulsory Automobile Insurance

Annual Financial Statements
For the fiscal year ended
March 31, 2021

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Universal Compulsory Automobile Insurance financial statements are derived from the Manitoba Public Insurance Corporation's (the Corporation) annual financial statements and are considered by management to fairly represent the financial position and results of operations of the Universal Compulsory Automobile Insurance line of business (Basic Insurance line of business).

The financial statements are the responsibility of management and are prepared using the recognition, measurement and presentation principles of generally accepted accounting principles in Canada as set out in the Chartered Professional Accountants of Canada Handbook, which incorporates International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. However, these special purpose financial statements are not in compliance with IFRS as certain note disclosures have been excluded.

The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through the Corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

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

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

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

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

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

PricewaterhouseCoopers LLP, the Corporation's appointed external auditors, have performed a special purpose audit of 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.



Eric Herbelin

PRESIDENT and CHIEF EXECUTIVE OFFICER



Mark Giesbrecht, CPA, CGA

VICE-PRESIDENT and CHIEF FINANCIAL OFFICER

June 24, 2021



Independent auditor's report

To the Board of Directors of Manitoba Public Insurance Corporation

Our opinion

In our opinion, the accompanying financial statements of Manitoba Public Insurance Corporation's Universal Compulsory Automobile Insurance line of business (the Corporation) as at March 31, 2021 and for the year then ended are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the financial statements.

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations for the year then ended;
- the statement of comprehensive income (loss) for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Public Utilities Board of Manitoba and the Corporation's Board of Directors in their review of operations. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Corporation.

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We acknowledge the disclosure of our report, in full only, by the Corporation at its discretion, to the Public Utilities Board of Manitoba without assuming or accepting any responsibility or liability to the Public Utilities Board of Manitoba or any other third party in respect of this report. Our report should not be distributed to parties other than the Corporation or the Public Utilities Board of Manitoba. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 1 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 24, 2021

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the Universal Compulsory Automobile Insurance policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statements of financial position at March 31, 2021 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

June 24, 2021

Financial Statements

Statement of Financial Position

(in thousands of Canadian dollars)	March 31, 2021	March 31, 2020 (Note 2)
Assets		
Cash and cash equivalents	138,600	186,635
Investments	2,947,377	2,649,000
Investment property	6,065	20,969
Due from other insurance companies	109	381
Accounts receivable	403,232	406,261
Prepaid expenses	2,644	583
Deferred policy acquisition costs	37,259	25,582
Reinsurers' share of unpaid claims	2,172	5,072
Property and equipment	110,262	88,465
Deferred development costs	32,042	34,964
	3,679,762	3,417,912
Liabilities		
Due to other insurance companies	395	595
Accounts payable and accrued liabilities	196,153	50,053
Lease obligation	5,427	5,475
Unearned premiums and fees	592,939	569,706
Provision for employee current benefits	19,028	18,213
Provision for employee future benefits	385,846	336,307
Provision for unpaid claims	2,045,997	2,031,336
	3,245,785	3,011,685
Equity		
Retained earnings	448,678	440,522
Accumulated other comprehensive income (loss)	(14,701)	(34,295)
	433,977	406,227
	3,679,762	3,417,912

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 AND RISK COMMITTEE

Statement of Operations

(in thousands of Canadian dollars)	Notes	Year ended March 31, 2021	13 months ended March 31, 2020 (Note 2)
Earned Revenues			
Gross premiums written		1,158,693	1,239,263
Premiums ceded to reinsurers		(13,761)	(15,441)
Net premiums written		1,144,932	1,223,822
Increase in gross unearned premiums		(24,464)	(47,882)
Net premiums earned		1,120,468	1,175,940
Service fees and other revenue		25,792	29,130
Total Earned Revenues		1,146,260	1,205,070
Claims Costs			
Direct claims incurred—gross		652,341	866,319
Claims incurred (recovered) ceded to reinsurers		1,487	(1,370)
Net claims incurred		653,828	864,949
Claims expense		141,720	142,344
Loss prevention/Road safety		7,708	12,658
Total Claims Costs		803,256	1,019,951
Expenses			
Operating		70,063	75,291
Commissions		43,384	45,683
Premiums taxes		23,978	35,742
Regulatory/Appeal		4,399	4,932
Total Expenses		141,824	161,648
Underwriting income		201,180	23,471
Investment income		89,528	107,249
Gain (loss) on disposal of property and equipment		74	(10)
Net income from operations		290,782	130,710
Surplus distribution	4	(282,626)	-
Net income from operations after surplus distribution		8,156	130,710

Statement of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Year ended March 31, 2021	13 months ended March 31, 2020 (Note 2)
Net income from operations after surplus distribution	8,156	130,710
Other Comprehensive Income (Loss)		
Items that will not be reclassified to income		
Remeasurement of employee future benefits	(34,403)	16,823
Items that will be reclassified to income		
Unrealized gains (losses) on available for sale assets	73,289	(23,750)
Reclassification of net realized losses (gains) related to available for sale assets	(19,292)	32,752
Net unrealized gain on Available for Sale assets	53,997	9,002
Other comprehensive income for the period	19,594	25,825
Total comprehensive income	27,750	156,535

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Equity
Balance as at March 1, 2019	309,812	(60,120)	249,692
Net income from operations after surplus distribution for the period	130,710	-	130,710
Other comprehensive income for the year	-	25,825	25,825
Balance as at March 31, 2020	440,522	(34,295)	406,227
Net income from operations after surplus distribution for the year	8,156	-	8,156
Other comprehensive income for the period	-	19,594	19,594
Balance as at March 31, 2021	448,678	(14,701)	433,977

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

Notes to Financial Statements

March 31, 2021

1. Basis of Reporting

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

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

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

The Basic Insurance line of business rates are approved by the Public Utilities Board.

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

Basis of Preparation

These special purpose financial statements have been prepared using the recognition, measurement and presentation principles of generally accepted accounting principles in Canada as set out in the Chartered Professional Accountants of Canada Handbook, which incorporates International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. However, these special purpose financial statements are not in compliance with IFRS as certain note disclosures have been excluded.

These special purpose financial statements have been prepared to assist the Public Utilities Board of Manitoba and the Corporation's Board of Directors in their review of operations. As a result, these special purpose financial statements may not be suitable for another purpose.

These special purpose financial statements were approved by the Corporation's Board of Directors on June 24, 2021.

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

Allocation of Assets, Liabilities and Basic Insurance Retained Earnings

Assets and liabilities are allocated to the Basic Insurance line of business on the following basis:

- i. Identifiable direct assets and liabilities are allocated directly to the Basic Insurance line of business.
- ii. Other assets and liabilities are prorated to each line of business based mainly on factors such as premiums written ratios, expense allocation ratios and payroll allocation ratios. The formulas developed for the allocation of service fees and other revenue are approved by the Board of Directors.

Allocation of Assets, Liabilities and Basic Insurance Retained Earnings

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

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

Investment income is allocated based on the specific portfolio in which the investments reside. Investment income attributable to the Basic Insurance line of business is equal to:

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

Expenses, including claims expense, are allocated to the Basic Insurance lines of business on the following basis:

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

Estimates and Judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

Emergency measures enacted by the federal and provincial governments in response to the COVID-19 pandemic, including physical distancing, travel restrictions, and the temporary closure of non-essential businesses, have created significant additional estimation uncertainty in the determination of reported amounts as at March 31, 2021. 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, 2021. As a result of this significant estimation uncertainty there is a risk that the assumptions used as at March 31, 2021, may change as more information becomes available, resulting in a material adjustment to reported amounts in future reporting periods.

2. Fiscal Year-End Change

In April 2019, the Corporation's board approved a change to its fiscal year end from February 29, 2020, to March 31, 2020, as directed by the provincial government to align with the Government of Manitoba and other Provincial Crown Corporations. The current financial statements include the year ended March 31, 2021, while the comparative fiscal period include the 13 months ended March 31, 2020. As a result, information contained in these financial statements may not be entirely comparable.

3. Summary of Significant Accounting Policies

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

Adoption of New and Amended Accounting Standards

Effective April 1, 2020, the Corporation adopted the following new and amended accounting standards:

IFRS 16—Leases

In May 2020, the IASB published an amendment to IFRS 16 providing lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment was made to provide timely relief to lessees and to enable them to continue providing information about their leases that may be useful to investors. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, and the amendment expires on June 30, 2021. The Corporation has determined that these amendments had no impact on its financial statements.

IFRS 3—Business Combinations

IFRS 3 was amended in October 2018. The amendments revise the definition of a business and provide a simplified assessment of whether an acquired set of activities and assets qualifies as a business. The Corporation has determined that there was no material impact of this amendment to the financial statements.

Conceptual Framework for Financial Reporting

In March 2018, the IASB revised its conceptual framework for financial reporting. The revised framework includes a new chapter on measurement, presentation and disclosure in the statement of income and comprehensive income, derecognition of assets and liabilities and the boundaries of reporting entities in financial statements. It also includes improved definitions, guidance and clarifications on important topics (e.g., the roles of stewardship, prudence, measurement uncertainty in financial reporting and substance over form). The IASB has also issued amendments that update references to the framework in certain standards. The Corporation has determined that these amendments have no material impact on its financial statements.

IAS 1—Presentation of Financial Statements and IAS 8—Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 1 and IAS 8 were issued in October 2018. These amendments update the definition of “material” and the meaning of “primary users” of general purpose financial statements. The Corporation has determined that there was no material impact of these amendments to the financial statements.

Investments

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

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

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

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

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

i. AFS Financial Assets

AFS financial assets are initially measured at fair value on the Statement of Financial Position starting on the settlement date. Subsequent to initial recognition, AFS assets are carried at fair value with changes in fair value recorded in Other Comprehensive Income (OCI) until the asset is disposed of, or has become impaired. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income (loss) to the extent that the carrying amount of the investment at the date of 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. As long as an AFS equity asset is held and not impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become impaired, the gain or loss is recognized in the Statement of Operations and is deducted from OCI.

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

July 21, 2021

CONFIDENTIAL

2022 GENERAL RATE APPLICATION, Part VIII – AR Appendix 1 - Confidential

MPI Exhibit #7

ii. HTM Financial Assets

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

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

iii. FVTPL Financial Assets

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

The fair values of FVTPL bonds including federal, provincial, certain municipal, certain hospitals, other provinces and corporations are estimated based on bid prices of these or similar investments.

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

Loans and Receivables

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

Cash and Cash Equivalents

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

Derecognition of Financial Assets

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

Financial Liabilities

All financial liabilities are designated as other financial liabilities and are recorded in the Statement of Financial Position at amortized cost. Financial liabilities include:

- Due to other insurance companies and accounts payable and accrued liabilities, which are all current liabilities; and
- Lease obligations, which are a non-current liability, payable over the life of the applicable leases.

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

Derivatives

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

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

Fair Value Determination

The fair values of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Cash equivalent investments comprise investments due to mature within 90 days from the date of purchase and are carried at fair value.

Deferred Policy Acquisition Costs

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

Property and Equipment

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

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

Land & Buildings

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

Furniture & Equipment

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

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

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

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

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

Investment Property

In the determination of what constitutes investment property relative to property and equipment, effective March 31, 2021, the Corporation considers only property that is 100% investment property. As a result, portions of the cityplace building previously considered investment property are now classified as Property and Equipment.

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

The fair value of the investment property is disclosed based on an external valuation that occurs, at a minimum, every other year.

The Corporation assesses its investment property for impairment on an annual basis in accordance with the impairment test guidance set forth in IAS 36, *Impairment of Assets*. Based on this assessment it was determined the investment property was not impaired as at March 31, 2021.

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

- parkade 40 years
- surface parking lot held at cost

Deferred Development Costs (Intangible Assets)

The costs of developing major information systems that are expected to provide an economic benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and accumulated impairment losses and are amortized on a straight-line basis over five years unless the useful life is deemed to be shorter, starting the month after the asset becomes available for use.

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

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

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

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

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

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

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

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

Leasing

Manitoba Public Insurance as a Lessee

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

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

Manitoba Public Insurance as a Lessor

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

Revenue

Premiums

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

Unearned Premiums

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

Interest Revenue

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

Investment Income

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

Realized Gains and Losses

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

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

Unrealized Gains and Losses

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

Provisions

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

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

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

Provision for Employee Current Benefits

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

Provision for Employee Future Benefits

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

i. Pension Benefit Plan

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

The Corporation has its pension benefit plan valued annually at the pension plan year-end date, the most recent of which is December 31, 2020. Additionally the Corporation has its pension benefit plan revalued at the Corporation fiscal year end of March 31, 2021.

ii. Other Benefit Plans

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

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

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

Provision for Unpaid Claims

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

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

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

Liability Adequacy Test

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

Salvage and Subrogation

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

Structured Settlements

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

Reinsurance Ceded

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

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

Foreign Currency

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

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

Comprehensive income 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.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Allowance for Doubtful Accounts

The Corporation must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment of accounts receivable.

Deferred Development Costs (Intangible Assets)

Deferred development costs represent a significant portion of ongoing expenditures related to information systems development. Management estimates the expected period of benefit over which capitalized costs will be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and customer service requirements, as well as historical experience and internal plans for the projected use of the information systems.

Provision for Unpaid Claims

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

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

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by the Corporation on an ongoing basis to reflect recent and emerging trends in experience.

Provision for Employee Current Benefits

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

Provision for Employee Future Benefits

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

Fair Value of Level 3 AFS and FVTPL Investments

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

Future Changes in Accounting Policy and Disclosure

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for annual reporting periods beginning on or after January 1, 2021. The standards that may have an impact to the Corporation are:

IFRS 7—Financial Instruments: Disclosures

In December 2011, IFRS 7 *Financial Instruments: Disclosures* was amended to require additional financial instrument disclosures upon transition from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9 *Financial Instruments*. The amendments are effective upon adoption of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018. However, in September 2016, IFRS 4 *Insurance Contracts* was amended to provide an option of a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing insurance contracts within the scope of IFRS 4. Therefore, qualifying entities will have the option to adopt IFRS 9 upon the adoption of IFRS 17 *Insurance Contracts*. The Corporation qualified for a temporary exemption. However, further delays of IFRS 17 announced in November 2018 and March 2020 result in the availability of additional temporary exemptions of IFRS 9. The Corporation also qualified for this exemption. Thus, the amended IFRS 7 is effective for annual periods beginning on or after January 1, 2023. The Corporation is currently evaluating the impact that this standard will have on its financial statements.

IFRS 9—Financial Instruments

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

The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39. The standard requires financial assets to be recorded at amortized cost or fair value depending on the Corporation's business model for managing the assets and their associated cash flow characteristics.

All financial assets are to be measured at fair value on the Statement of Financial Position if they are not measured at amortized cost. IFRS 9 allows financial assets or financial liabilities not classified as amortized cost to be recognized as FVTPL or as fair value through OCI (FVOCI).

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

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

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

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

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

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

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

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

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

IFRS 17—Insurance Contracts

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

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

IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2023. The standard is to be applied retrospectively unless impracticable, in which case a modified retrospective approach or fair value approach is to be used for transition. Early application is permitted where entities have also adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The Corporation is currently evaluating the impact that this standard will have on its financial statements.

In June 2020, the IASB issued amendments to IFRS 17 which were designed to simplify certain requirements in the standard, make financial performance easier to explain and confirm the two-year deferral of the effective date of the standard including the temporary exemption of IFRS for insurers. Thus, IFRS 17 will be effective for annual reporting beginning on or after January 1, 2023. The Corporation is currently evaluating the impact that this standard and its amendments will have on its financial statements.

IAS 37—Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued an amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* which clarifies which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The application date of the amendment will be effective for annual reporting beginning on or after January 1, 2022, but early application is permitted. The Corporation is currently evaluating the impact that these amendments will have on its financial statements.

Annual Improvements

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

In May 2019, the IASB issued an exposure draft for the Annual Improvements Cycle 2018-2020. The pronouncement contains amendments to four standards as a result of the IASB's annual improvement project. These amendments to IFRS 1 *First-time Adoption of International Reporting Standards*, IFRS 9 *Financial Instruments*, and IAS 41 *Agriculture* are all effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendment to IFRS 16 *Leases* only included an illustrative example, so no effective date is stated. The Corporation is evaluating the impact these proposed amendments will have on its financial statements.

4. Surplus Distribution

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

- i. \$52.3 million from excess capital held in the Extension line of business as at the end of 2019/20. This portion of the payment was calculated based upon Basic premiums paid during the 2019/20 insurance year.
- ii. \$57.8 million from forecasted reductions in the number of claims for the initial COVID-19 period of March 15–May 15, 2020. This portion of the payment applied to all active Basic policies on March 15, 2020, and was 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 issued Order 67/20, approving the Corporation's application. The Corporation issued cheques to policyholders totaling \$110.1 million.

On November 27, 2020, the Corporation applied to the Public Utilities Board to issue a directive that the Corporation issue to ratepayers a percentage of their Basic premiums earned between March 16, 2020, and November 21, 2020, through a second special rebate, in an amount of approximately \$69 million. On December 14, 2020, the Public Utilities Board issued Order 145/20, approving the Corporation's application. The Corporation issued cheques to policyholders totalling \$69.4 million.

On June 17, 2021, the Province of Manitoba directed the Corporation to distribute its excess capital from the Basic line of business as at March 31, 2021. The Corporation will include this rebate to policyholders within a special rebate application to be filed in 2021 concurrently with its 2022 General Rate Application process. It will be subject to a final rebate amount to be ordered by the Public Utilities Board, which may include additional net savings brought on by the COVID-19 pandemic over the months leading up to the Public Utilities Board procedural hearing. The Board of Directors has approved the issuance of this rebate, and as a result, the Corporation has recorded a liability of \$155.4 million for this rebate within accounts payable and accrued liabilities as at March 31, 2021.

In total, in 2020/21, the Corporation will have made available approximately \$334.9 million in surplus distribution, of which, \$282.6 million is from Basic.