Notes to Basic Financial Statements

March 31, 2022 – All notes are unaudited

A. Cash, Cash Equivalents and Investments

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

Cash equivalent investments have a total principal amount of $101.9 million (March 31, 2021—$87.5 million) comprised of provincial short-term deposits with effective interest rates of 0.316 per cent to 0.32 per cent (March 31, 2021—0.037 per cent to 0.04 per cent), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of $10.0 million (March 31, 2021—$5.0 million). The unsecured operating line of credit remained unutilized at March 31, 2022 (March 31, 2021—nil).

Cash, Cash Equivalents and Investments

As at March 31, 2022 (in thousands of Canadian dollars)	Financial Instruments Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carrying Value
Cash and cash equivalents	153,129	-	-	-	153,129
Bonds					
Federal	-	-	44,186	-	44,186
Manitoba:					
Provincial	13,199	-	103,874	-	117,073
Municipal	-	55,103	31,933	-	87,036
Schools	-	412,868	-	-	412,868
Other provinces:					
Provincial	23,680	-	764,307	-	787,987
Municipal	-	-	55,044	-	55,044
Corporations	108,729	-	467,387	-	576,116
	145,608	467,971	1,466,731	-	2,080,310
Private debt	136,857	-	-	-	136,857
Other investments	-	-	-	-	-
Infrastructure	-	-	74,102	-	74,102
Equity investments	335,329	-	-	-	335,329
Pooled real-estate fund	-	-	123,447	-	123,447
Investments	617,794	467,971	1,664,280	-	2,750,045
Investment property	-	-	-	5,912	5,912
Total	770,923	467,971	1,664,280	5,912	2,909,086

As at March 31, 2021 (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	138,600	-	-	-	138,600
Bonds					
Federal	20,107	-	29,755	-	49,862
Manitoba:					
Provincial	14,132	-	119,927	-	134,059
Municipal	-	40,505	34,878	-	75,383
Schools	-	453,304	-	-	453,304
Other provinces:					
Provincial	89,036	-	849,269	-	938,305
Municipal	-	-	73,378	-	73,378
Corporations	124,861	-	492,063	-	616,924
	248,136	493,809	1,599,270	-	2,341,215
Private debt	115,070	-	-	-	115,070
Other investments	-	-	-	-	-
Infrastructure	-	-	73,401	-	73,401
Equity investments	337,901	-	-	-	337,901
Pooled real-estate fund	-	-	79,790	-	79,790
Investments	701,107	493,809	1,752,461	-	2,947,377
Investment property	-	-	-	6,065	6,065
Total	839,707	493,809	1,752,461	6,065	3,092,042

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

As at March 31, 2022 (in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/Losses**	**Fair Value**
Equity investments			
With unrealized gains	**246,434**	**88,895**	**335,329**
Subtotal—equity investments	**246,434**	**88,895**	**335,329**
Bonds			
With unrealized losses	**149,984**	**(4,376)**	**145,608**
Subtotal—bonds	**149,984**	**(4,376)**	**145,608**
Private debt			
With unrealized losses	**143,006**	**(6,149)**	**136,857**
Subtotal—private debt	**143,006**	**(6,149)**	**136,857**
Total AFS equity and other investments	**539,424**	**78,370**	**617,794**

As at March 31, 2021 (in thousands of Canadian dollars)	Book Value	Unrealized Gains/Losses	Fair Value
Equity investments			
With unrealized gains	276,110	61,791	337,901
Subtotal—equity investments	276,110	61,791	337,901
Bonds			
With unrealized gains	143,946	1,459	145,405
With unrealized losses	107,334	(4,603)	102,731
Subtotal—bonds	251,280	(3,144)	248,136
Private debt			
With unrealized losses	120,671	(5,601)	115,070
Subtotal—private debt	120,671	(5,601)	115,070
Total AFS equity and other investments	648,061	53,046	701,107

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

- there is not objective evidence of impairment, or
- the loss is not considered to be significant or prolonged.

Fair-Value Measurement

Financial assets that are measured at fair value are classified by their level within the fair-value hierarchy. The fair-value hierarchy consists of three levels that are defined on the basis of the type of inputs used to measure fair value. The classification cannot be higher than the lowest level of input that is significant to the measurement:

Level 1—Fair value is determined based on unadjusted quoted prices of identical assets in active markets. Inputs include prices from exchanges where equity and debt securities are actively traded.

Level 2—Level 2 valuations utilize inputs other than quoted market prices included in Level 1 that are observable, directly or indirectly, for the asset. These inputs include quoted prices for similar assets in active markets and observable inputs other than quoted prices, such as interest rates and yield curves. The fair values for some Level 2 securities were obtained from a pricing service. Pricing service inputs may include benchmark yields, reported trades, broker/dealer quotes and bid/ask spreads.

Level 3—Fair-value measurements using significant inputs that are not based on observable market data are Level 3. This mainly consists of derivatives and private equity investments. In these cases prices may be determined by internal pricing models utilizing all available financial information, including direct comparison and industry sector data. For some investments, valuations are obtained annually. For periods between valuations, management assesses the validity of the valuation for current reporting purposes.

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

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

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

In the year ended March 31, 2022, there was one investment transferred between levels. This is the pooled real-estate fund which transferred from level 2 to level 3 as this is a private equity investment in real estate with properties independently valued by third-party appraisal firms using valuation models. No investments were transferred between levels in the year ended March 31, 2021.

The following table presents financial instruments measured at fair value in the Statement of Financial Position, classified by level within the fair value hierarchy.

As at March 31, 2022 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**17,279**	**1,435,559**	**13,893**
Infrastructure	**-**	**-**	**74,102**
Pooled real estate fund	**-**	**-**	**123,447**
Total FVTPL financial assets	**17,279**	**1,435,559**	**211,442**
AFS financial assets			
Cash and cash equivalents	**153,129**	**-**	**-**
Bonds	**-**	**145,608**	**-**
Private debt	**-**	**75,487**	**61,370**
Equity investments	**178**	**335,151**	**-**
Total AFS financial assets	**153,307**	**556,246**	**61,370**
Total assets measured at fair value	**170,586**	**1,991,805**	**272,812**

As at March 31, 2021 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	8,475	1,576,257	14,538
Infrastructure	-	-	73,401
Pooled real estate fund	-	79,790	-
Total FVTPL financial assets	8,475	1,656,047	87,939
AFS financial assets			
Cash and cash equivalents	138,600	-	-
Bonds	73,418	174,718	-
Private debt	-	50,089	64,981
Equity investments	15,855	322,046	-
Total AFS financial assets	227,873	546,853	64,981
Total assets measured at fair value	236,348	2,202,900	152,920

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

	FVTPL		**AFS**	
(in thousands of Canadian dollars)	**2022**	2021	**2022**	2021
Balance, beginning of the year	**87,939**	91,955	**64,981**	59,476
Total gains/(losses)				
Included in net income	**14,806**	1,845	**(10,372)**	4,474
Included in OCI		-	**4,700**	(4,746)
Transfer from Level 2	**79,790**		**-**	
Purchases	**29,144**	755	**2,214**	5,718
Sales		(6,681)		-
Return of capital		-		-
Allocation adjustment*	**(237)**	65	**(153)**	59
Balance, end of the year	**211,442**	87,939	**61,370**	64,981

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

The fair value of HTM bonds, which include schools and certain municipalities, is based on their carrying value, which approximates fair value. As of March 31, 2022, the fair value of municipal, utilities, schools and hospital bonds held to maturity is $468.0 million (March 31, 2021—$493.8 million).

Impairment

Impairment losses were based on management's best estimate of whether objective evidence of impairment exists, using available market data and other observable data. There were no investment impairments recorded in 2020/21. For 2021/22, impaired investments included in the Corporation's portfolio include the following:

As at March 31, 2022 (in thousands of Canadian dollars)	**Gross**	**Impaired**	**Net**
By investment type			
Bonds	**91,460**	**(11,652)**	**79,808**
Private debt	**71,742**	**(10,372)**	**61,370**
Total	**163,202**	**(22,024)**	**141,178**

As at March 31, 2021 (in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Bonds	-	-	-
Private debt	-	-	-
Total	-	-	-

Investment Income

(in thousands of Canadian dollars)	**Year ended March 31, 2022**	Year ended March 31, 2021
Interest income	**63,383**	67,900
Gain on sale of FVTPL bonds	**(3,974)**	11,296
Unrealized gain (loss) on FVTPL bonds	**(123,025)**	(10,645)
Unrealized loss on pooled real estate fund	**148**	(878)
Dividends on infrastructure investments	**1,961**	1,621
Realized gain on infrastructure investments	**15,341**	1,740
Unrealized gain (loss) on infrastructure investments	**110**	459
Foreign exchange loss on infrastructure investments	**-**	(253)
Dividend income	**5,258**	4,099
Gain on sale of equities and other investments	**11,091**	9,040
Loss on foreign exchange	**(258)**	-
Income (loss) from investment property	**4,800**	(765)
Realized gain on pooled real estate fund	**4,807**	-
Recovery/(Impairment) of AFS investments	**(22,024)**	10,025
Investment management fees	**(4,802)**	(4,111)
Total	**(47,184)**	89,528

Investment income is net of investment management fees paid to the Department of Finance in the amount of $4.8 million (March 31, 2021—$4.8 million). This includes $3.6 million (March 31, 2021—$2.4 million) of fees the Province paid to outside managers on the Corporation's behalf.

Temporary Deferral of IFRS 9

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

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

Solely Payments of Principal and Interest

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

As at March 31, 2022 (in thousands of Canadian dollars)	**Fair Value**	**Change in Fair Value During the Year**
SPPI	**2,073,511**	**(86,938)**
Other	**829,663**	**144,389**
Total	**2,903,174**	**57,451**

As at March 31, 2021 (in thousands of Canadian dollars)	Fair Value	Change in Fair Value During the Year
SPPI	2,291,240	38,980
Other	794,737	122,156
Total	3,085,977	161,136

Credit Risk Exposure Related to Financial Assets Categorized as SPPI

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

As at March 31, 2022 (in thousands of Canadian dollars)	**Fair Value**	**Carrying Value**
Aaa	**66,580**	**66,580**
Aa	**684,408**	**684,408**
A	**950,387**	**950,387**
Baa	**270,206**	**270,206**
Not rated	**101,930**	**101,930**
Total	**2,073,511**	**2,073,511**

As at March 31, 2021 (in thousands of Canadian dollars)	Fair Value	Carrying Value
Aaa	234,013	234,013
Aa	1,345,051	1,345,051
A	339,795	339,795
Baa	285,718	285,718
Ba	11,778	11,778
Not rated	74,885	74,885
Total	2,291,240	2,291,240

B. Investment Property—Non-Financial Instruments

(in thousands of Canadian dollars)	Cityplace Building*	Surface Parking Lot	Parkade	Total
Cost				
Balance at March 1, 2020	18,638	448	6,955	26,041
Transfer to property & equipment	(17,627)	-	-	(17,627)
Disposal	(1,012)	-	-	(1,012)
Allocation adjustments**	1	(1)	-	-
Balance at March 31, 2021	-	447	6,955	7,402
Balance at March 31, 2022	**-**	**447**	**6,955**	**7,402**
Accumulated Depreciation				
Balance at March 1, 2020	3,888	-	1,184	5,072
Depreciation	368	-	153	521
Transfer to property & equipment	(3,905)	-	-	(3,905)
Disposal	(351)	-	-	(351)
Allocation adjustments**	-	-	-	-
Balance at March 31, 2021	-	-	1,337	1,337
Depreciation	**-**	**-**	**153**	**153**
Balance at March 31, 2022	**-**	**-**	**1,490**	**1,490**
Carrying Amounts				
At March 31, 2021	-	447	5,618	6,065
At March 31, 2022	**-**	**447**	**5,465**	**5,912**
Fair Value at March 31, 2022* **	**N/A**	**2,148**	**9,277**	**11,425**

*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 per cent investment property. As a result, portions of the cityplace building previously considered investment property are now classified as property and equipment.

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

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

C. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	Premium Taxes	Commissions	Writedown	Total
Balance at April 1, 2020	16,428	19,665	(10,511)	25,582
Deferred during the period	24,712	43,816	10,511	79,039
Expensed during the period	(23,978)	(43,384)	-	(67,362)
Balance at March 31, 2021	17,162	20,097	-	37,259
Deferred during the year	**23,067**	**46,575**	**-**	**69,642**
Expensed during the year	**(24,304)**	**(44,925)**	**-**	**(69,229)**
Balance at March 31, 2022	**15,925**	**21,747**	**-**	**37,672**

Premium deficiencies are recognized first by writing down deferred policy acquisition costs with any remainder recognized as a liability. The premium taxes are included in the premium taxes expense. Commissions are included in the commissions expense. There were no premium deficiencies booked in 2021/22 or 2020/21.

D. Property and Equipment

(in thousands of Canadian dollars)	Land & Buildings (1)	Furniture & Equipment(2)	Right-of-Use Assets (3)	Property Under Construction(4)	Total
Cost					
Balance at April 1, 2020	106,074	24,801	12,824	1,107	144,806
Transfer from investment property	31,681	-	-	-	31,681
Additions	-	247	-	1,293	1,540
Disposals	-	(754)	-	-	(754)
Transfer from property under construction	848	554	-	(1,402)	-
Allocation adjustment*	(271)	93	(33)	(15)	(226)
Balance at March 31, 2021	138,332	24,941	12,791	983	177,047
Additions	**3,522**	**465**	**-**	**2,812**	**6,799**
Disposals	**-**	**(629)**	**-**	**-**	**(629)**
Transfer from property under construction	**174**	**83**	**-**	**(257)**	**-**
Allocation adjustment*	**(734)**	**(69)**	**(69)**	**(12)**	**(884)**
Balance at March 31, 2022	**141,294**	**24,791**	**12,722**	**3,526**	**182,333**
Accumulated Depreciation					
Balance at April 1, 2021	32,715	20,852	2,774	-	56,341
Transfer from investment property	7,018	-	-	-	7,018
Disposals	-	(859)	-	-	(859)
Depreciation	2,309	1,418	410	-	4,137
Allocation adjustment*	(47)	195	-	-	148
Balance at March 31, 2022	41,995	21,606	3,184	-	66,785
Disposals	**-**	**(859)**	**-**	-	**(859)**
Depreciation	**2,309**	**1,418**	**410**	-	**4,137**
Allocation adjustment*	**474**	**(72)**	**(12)**	-	**390**
Balance at March 31, 2022	**44,778**	**22,093**	**3,582**	-	**70,453**
Carrying Amounts					
At March 31, 2021	96,337	3,335	9,607	983	110,262
At March 31, 2022	**96,516**	**2,698**	**9,140**	**3,526**	**111,880**

1. Includes land, land improvements, leasehold improvements, buildings and building components: elevators, escalators, HVAC systems, roofing systems. 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 per cent investment property. As a result, portions of the cityplace building previously considered investment property are now classified as property and equipment.

2. Includes furniture, equipment, computer equipment, vehicles and demountable wall systems.

3. Includes right-of-use assets land and buildings accounted for under IFRS 16 Leases. Refer to Note 13 for the corresponding lease obligations. The below right-of-use assets are included in the property and equipment table above, totaling the "Right-of-Use Assets" column (1284 Main Street—Building portion; 1284 Main Street—Land portion; Brandon—Royal Canadian Legion Branch #3 Building):

Right-Of-Use Assets (in thousands of Canadian dollars)	1284 Main Street Building	1284 Main Street Land	Brandon-Royal Canadian Legion #3	Total
Balance at April 1, 2021	12,846	1,211	20	14,077
Allocation adjustment*	(1,281)	(5)	-	(1,286)
Balance at March 31, 2020	11,565	1,206	20	12,791
Allocation adjustment*	**(62)**	**(6)**	**(1)**	**(69)**
Balance at March 31, 2021	**11,503**	**1,200**	**19**	**12,722**

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

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

E. Deferred Development Costs

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at April 1, 2020	176,072
Additions	12,290
Impairments	(743)
Allocation adjustment*	888
Balance at March 31, 2021	188,507
Additions	**23,212**
Impairments	**(198)**
Allocation adjustment*	**(836)**
Balance at March 31, 2022	**210,685**
Accumulated Depreciation	
Balance at April 1, 2020	141,108
Amortization	14,774
Allocation adjustment*	583
Balance at March 31, 2021	156,465
Amortization	**10,627**
Allocation adjustment*	**(1,095)**
Balance at March 31, 2022	**165,997**
Carrying Amounts	
At March 31, 2021	32,042
At March 31, 2022	**44,688**

Deferred development costs of $33.3 million (March 31, 2021—$5.8 million) are not yet available for use and are currently not being amortized. Impairments of $0.2 million (March 31, 2021—$0.7 million) were recognized during the year and have been recorded in claims expense, loss prevention/road safety expense and operating expense on the Statement of Operations.

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

F. Unearned Premiums and Fees

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

(in thousands of Canadian dollars)	Gross	March 31, 2022 Reinsurers' Share	Net
Unearned premiums			
Balance at April 1, 2021	**572,049**	-	**572,049**
Premiums written	**1,080,879**	**15,659**	**1,065,220**
Premiums earned	**(1,122,067)**	**(15,659)**	**(1,106,408)**
Balance at March 31, 2022	**530,861**	-	**530,861**
Prepaid premiums	**13,867**	-	**13,867**
Unearned fees	**3,997**	-	**3,997**
Balance at March 31, 2022	**548,725**	-	**548,725**

(in thousands of Canadian dollars)	Gross	March 31, 2021 Reinsurers' Share	Net
Unearned premiums			
Balance at April 1, 2020	547,586	-	547,586
Premiums written	1,158,693	13,761	1,144,932
Premiums earned	(1,134,230)	(13,761)	(1,120,469)
Balance at March 31, 2021	572,049	-	572,049
Prepaid premiums	16,464	-	16,464
Unearned fees	4,426	-	4,426
Balance at March 31, 2021	592,939	-	592,939

G. Provision for Employee Future Benefits

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

The Corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent full actuarial valuation was conducted by an external actuary as at December 31, 2021, with the next scheduled actuarial valuation being December 31, 2022. Additionally, the Corporation had the external actuary revalue the benefit plans at the Corporation fiscal year end of March 31, 2022.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. On a yearly basis the Civil Service Superannuation Board provides an approval of the cost-of-living adjustment which is factored into the pension valuation. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. The weighted average duration of the defined benefit obligation is 15.8 years (March 31, 2021—17.0 years). Results from the most recent actuarial valuations, projected to March 31, 2022, and the corresponding economic assumptions are as follows:

Assumptions:

	Pension Benefit Plan		Other Benefit Plans	
	March 31, 2022	March 31, 2021	**March 31, 2022**	March 31, 2021
Discount rate - December Actuarial Valuation	**2.03%**	2.59%	**3.03%**	2.59%
Discount rate - March Actuarial Valuation	**4.01%**	3.34%	**4.01%**	3.34%
Inflation rate	**3.00%**	1.20%	**N/A**	N/A
Expected salary increase	**0.75%**	0.00%	**N/A**	N/A
Expected health care cost increase (out of scope)	**N/A**	N/A	**4.10%**	4.80%
Expected health care cost increase (in scope)	**N/A**	N/A	**3.00%**	1.20%

Change in benefit obligations:

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021	**March 31, 2022**	March 31, 2021
Balance at beginning of period	**342,933**	296,074	**42,913**	40,233
Current service cost	**10,849**	12,999	**2,654**	4,252
Interest cost	**11,439**	11,249	**759**	1,164
Benefits paid	**(12,206)**	(12,765)	**(2,542)**	(1,887)
Remeasurement (gains)/losses recognized in other comprehensive income	**(35,662)**	35,254	**(4,982)**	(865)
Allocation adjustment*	**(810)**	122	**(101)**	16
Balance at March 31	**316,543**	342,933	**38,701**	42,913
Employee contribution for the period	**8,201**	7,942	**-**	-

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

Funding

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

The carrying value of the assets in the EFB investment portfolio as at March 31, 2022, and March 31, 2021, are as follows:

Employee Future Benefits Investment Portfolio

	March 31, 2022		March 31, 2021	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Cash & cash equivalents	**661**	**0.2%**	2,126	0.6%
Bonds	**67,266**	**16.7%**	70,987	18.6%
Private debt	**61,370**	**15.2%**	64,981	17.0%
Equity investment	**160,237**	**39.7%**	143,212	37.5%
Pooled real-estate fund	**68,834**	**17.1%**	56,313	14.7%
Infrastructure	**44,776**	**11.1%**	44,394	11.6%
Total	**403,144**	**100.0%**	382,013	100.0%

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

Benefit Plan Expenses

	Pension Benefit Plan		Other Benefit Plans	
(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021	**March 31, 2022**	March 31, 2021
Current service cost	**10,849**	12,999	**2,654**	4,252
Interest cost	**11,439**	11,249	**759**	1,164
Total	**22,288**	24,248	**3,413**	5,416

Sensitivity Analysis

Based on the March 31, 2022, actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan

Gain due to discount rate increasing from 4.01% to 4.51% (plus .50%)	**(25,045)**
Loss due to discount rate decreasing from 4.01% to 3.51% (minus .50%)	**28,561**
Loss due to mortality life expectancy at age 65 up one year	**8,936**
Loss due to inflation indexing (2/3rd COLA) increasing 0.25%	**9,561**
Gain due to inflation indexing (2/3rd COLA) decreasing from 0.25%	**(8,838)**

Other Benefit Plans

Gain due to discount rate increasing from 4.01% to 4.51% (plus .50%)	**(342)**
Loss due to discount rate decreasing from 4.01% to 3.51% (minus .50%)	**391**
Loss due to mortality life expectancy at age 65 up one year	**64**
Loss due to health care cost inflation indexing increasing 0.25%	**192**
Gain due to health care cost inflation indexing decreasing 0.25%	**(180)**

Out-of-Scope Retirement Benefits

Gain due to discount rate increasing from 4.01% to 4.51% (plus .50%)	**(1,266)**
Loss due to discount rate decreasing from 4.01% to 3.51% (minus .50%)	**1,452**
Loss due to mortality life expectancy at age 65 up one year	**357**
Loss due to health care cost inflation indexing increasing 0.25%	**697**
Gain due to health care cost inflation indexing decreasing 0.25%	**(655)**

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

(in thousands of Canadian dollars)	**Less than a year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**	**Total**
Pension benefit plan	**10,225**	**10,719**	**34,670**	**629,705**	**685,319**
Other benefit plans	**486**	**531**	**1,872**	**34,786**	**37,675**
At March 31, 2022	**10,711**	**11,250**	**36,542**	**664,491**	**722,994**

(in thousands of Canadian dollars)	Less than a year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Pension benefit plan	10,019	11,065	39,471	539,279	599,834
Other benefit plans	457	503	1,785	39,018	41,763
At March 31, 2021	10,476	11,568	41,256	578,297	641,597

H. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at March 31, 2022, and March 31, 2021.

		March 31, 2022	
(in thousands of Canadian dollars)	**Gross**	**Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Outstanding case reserves	**1,444,423**	**3,485**	**1,440,938**
Provision for incurred but not reported claims	**403,538**	**(1,143)**	**404,681**
Provision for internal loss adjusting expenses	**205,118**	**-**	**205,118**
Effect of discounting	**(203,194)**	**(7)**	**(203,187)**
Provision for adverse deviation	**253,904**	**122**	**253,782**
Provision for unpaid claims	**2,103,789**	**2,457**	**2,101,332**
Provision for unearned premiums (Note F)	**530,862**	**-**	**530,862**
Total insurance contract provisions	**2,634,651**	**2,457**	**2,632,194**

		March 31, 2021	
(in thousands of Canadian dollars)	Gross	Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,339,234	2,879	1,336,355
Provision for incurred but not reported claims	405,190	(803)	405,993
Provision for internal loss adjusting expenses	198,252	-	198,252
Effect of discounting	(153,565)	(20)	(153,545)
Provision for adverse deviation	256,886	116	256,770
Provision for unpaid claims	2,045,997	2,172	2,043,825
Provision for unearned premiums (Note F)	572,049	-	572,049
Total insurance contract provisions	2,618,046	2,172	2,615,874

I. Claims Liabilities

Methodology and Assumptions

The best estimates of claim liabilities are determined based on a review of the projected ultimate claim liabilities using various standard actuarial techniques. In particular, the techniques used to project ultimate claim liabilities include the incurred loss-development method, the paid loss-development method, the incurred Bornheutter-Ferguson method, and the paid Bornheutter-Ferguson method. The projected ultimate claim liabilities are then determined by selection of the most appropriate technique by line of business, coverage, and maturity of the accident year. All historical accident years are restated as period from April 1 to March 31 of the subsequent year to reflect the new fiscal year which began in the 2019/20 fiscal year.

Loss Development Method

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

Bornheutter-Ferguson Method

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Assumptions

Change in Discount Rate

The Corporation uses separate investment portfolios to support the claim liabilities by lines of business. For Basic, between the March 31, 2021, valuation and the March 31, 2022, valuation, the discount rate, determined based on the market value weighted yield for the investment portfolio, increased by 66 basis points from 2.88 per cent to 3.54 per cent. Overall, the increase in the discount rate decreased the discounted net claim liability by $118.2 million and ILAE provision by $12.4 million.

Change in Loss Development Factors

The loss development factors for all coverages are reviewed and revised to reflect an additional year of actual losses. The aggregate effect of all revisions to the selected loss development factors is a decrease in the discounted net claim liabilities of $13.7 million and a decrease in the ILAE provision of $2.5 million from March 31, 2021, to March 31, 2022.

Change in ILAE Ratio

The ILAE ratio was changed from 9.4 per cent to 9.5 per cent to reflect higher internal loss adjustment expense ratio experienced for the recent two years. This change increased the ILAE provision by $2.1 million from March 31, 2021, to March 31, 2022.

Change in Indexation Rate

In prior valuations, a fixed two per cent indexation rate was assumed. As inflation has been increasing, the indexation assumption was revised. For 2022/23 to 2025/26, the Manitoba Consumer Price Index (MB CPI) rate is forecasted to be 3.3 per cent, 4.2 per cent, 2.4 per cent and 2.3 per cent. For 2026/27 and going forward, the MB CPI is two per cent. This change increased the discounted net claim liabilities by $57.3 million and increased the ILAE provision by $6.2 million from March 31, 2021, to March 31, 2022.

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

Balance at March 31, 2022 (in thousands of Canadian dollars)	**Gross**	**Reinsurance Ceded**	**Net**
Automobile Insurance Division			
Liability	**1,908,594**	**2,260**	**1,906,334**
Physical damage	**195,195**	**197**	**194,998**
Total	**2,103,789**	**2,457**	**2,101,332**

Balance at March 31, 2021 (in thousands of Canadian dollars)	Gross	Reinsurance Ceded	Net
Automobile Insurance Division			
Liability	1,930,642	1,540	1,929,102
Physical damage	115,355	632	114,723
Total	2,045,997	2,172	2,043,825

Changes in Unpaid Claims and ILAE Provision

Gross

(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021
Discounted unpaid claims at beginning of period	**1,847,745**	1,833,237
Effect of discounting and Provision for Adverse Deviation	**(103,321)**	(64,128)
Undiscounted unpaid claims at beginning of period	**1,744,424**	1,769,109
Ultimate claims for current accident year	**732,942**	596,016
Payment on current accident year claims	**(416,469)**	(378,636)
Change in ultimate claims from prior accident years	**(14,074)**	(1,022)
Payments on prior accident year claims	**(198,862)**	(241,043)
Undiscounted unpaid claims at the period end date	**1,847,961**	1,744,424
Effect of discounting and Provision for Adverse Deviation	**50,710**	103,321
Discounted unpaid claims at the period end date	**1,898,671**	1,847,745
ILAE provision	**205,118**	198,252
Total unpaid claims provision	**2,103,789**	2,045,997

Reinsurance Ceded

(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021
Discounted unpaid claims at beginning of period	**2,172**	5,072
Effect of discounting and provision for adverse deviation	**(95)**	(177)
Undiscounted unpaid claims at beginning of period	**2,077**	4,895
Change in ultimate claims from prior accident years	**422**	1,665
Payments on prior accident year claims	**(156)**	(4,483)
Undiscounted unpaid claims at the period end date	**2,343**	2,077
Effect of discounting and provision for adverse deviation	**114**	95
Discounted unpaid claims at the period end date	**2,457**	2,172
Total unpaid claims provision	**2,457**	2,172

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021
Discounted unpaid claims at beginning of period	**1,845,573**	1,828,165
Effect of discounting and provision for adverse deviation	**(103,226)**	(63,951)
Undiscounted unpaid claims at beginning of period	**1,742,347**	1,764,214
Ultimate claims for current accident year	**732,942**	596,016
Payment on current accident year claims	**(416,469)**	(378,636)
Change in ultimate claims from prior accident years	**(14,496)**	(2,687)
Payments on prior accident year claims	**(198,706)**	(236,560)
Undiscounted unpaid claims at the period end date	**1,845,618**	1,742,347
Effect of discounting and provision for adverse deviation	**50,596**	103,226
Discounted unpaid claims at the period end date	**1,896,214**	1,845,573
ILAE provision	**205,118**	198,252
Total unpaid claims provision	**2,101,332**	2,043,825

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $253.8 million (March 31, 2021—$256.8 million). This provision is comprised of a claims development PfAD of $176.9 million (March 31, 2021—$174.0 million), an interest rate PfAD of $76.8 million (March 31, 2021—$82.7 million), and a reinsurance PfAD of $0.1 million (March 31, 2021—$0.1 million).

Net claims incurred and adjustment expenses do not include any catastrophes in the current fiscal year (March 31, 2021—nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

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

Development of Ultimate Claims

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

Current Ultimate Loss Estimates

Gross	Accident Year										
(in thousands of Canadian dollars)	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2021	Total
Estimate of ultimate claims costs for the most recent ten years:											
At end of accident year	530,058	565,938	634,333	589,243	681,244	725,741	724,819	774,260	793,226	596,016	
One year later	535,899	593,100	638,464	598,444	693,483	747,403	734,346	776,904	728,120		
Two years later	552,896	599,571	646,880	606,559	710,476	764,130	741,779	766,680			
Three years later	547,124	593,288	654,820	589,796	708,334	766,294	736,231				
Four years later	557,045	600,882	640,172	591,707	708,060	768,016					
Five years later	563,151	621,488	637,770	591,037	710,954						
Six years later	569,366	620,031	629,401	587,764							
Seven years later	574,511	611,420	630,424								
Eight years later	573,909	612,397									
Nine years later	578,783										
Current estimate of cumulative claims cost	578,783	612,397	630,424	587,764	710,954	768,016	736,231	766,680	728,120	596,016	6,715,385
Cumulative payments to date	506,298	551,827	579,317	527,152	629,980	662,130	629,973	638,043	577,421	378,636	5,680,777
Effect of discounting and PfAD on above	4,519	3,511	2,895	3,277	4,523	6,150	5,946	7,116	12,141	16,178	66,256
Discounted gross unpaid claims in respect of years prior to 2012											746,881
ILAE provision											198,252
Total gross unpaid claims											2,045,997
Current estimate of surplus (deficiency)	(48,725)	(46,459)	3,909	1,479	(29,710)	(42,275)	(11,412)	7,580	65,106	-	
Percentage surplus (deficiency) of initial gross reserve	(9.2%)	(8.2%)	0.6%	0.3%	(4.4%)	(5.8%)	(1.6%)	1.0%	8.2%	0.0%	

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

Net of Reinsurance Ceded						Accident Year					
(in thousands of Canadian dollars)	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2021	Total
Estimate of ultimate claims costs for the most recent ten years:											
At end of accident year	530,059	565,938	634,333	589,242	681,244	725,741	724,819	759,270	793,226	596,016	
One year later	535,899	593,101	638,203	598,444	693,483	747,403	734,346	761,388	728,120		
Two years later	552,897	599,571	646,435	606,559	710,476	764,129	741,779	752,493			
Three years later	547,124	593,287	654,397	589,796	708,333	766,293	736,232				
Four years later	556,532	600,882	639,793	591,707	708,060	768,016					
Five years later	562,623	621,488	637,348	591,036	710,954						
Six years later	568,847	620,031	628,949	587,764							
Seven years later	574,321	611,421	629,957								
Eight years later	573,720	612,397									
Nine years later	578,261										
Current estimate of cumulative claims cost	578,261	612,397	629,957	587,764	710,954	768,016	736,232	752,493	728,120	596,016	6,700,210
Cumulative payments to date	506,108	551,827	579,123	527,152	629,980	662,130	629,973	624,475	577,421	378,636	5,666,826
Effect of discounting and PfAD on above	4,496	3,511	2,878	3,277	4,523	6,150	5,946	7,102	12,141	16,178	66,202
Discounted net unpaid claims in respect of years prior to 2012											745,986
ILAE provision											198,252
Total net unpaid claims											2,043,825
Current estimate of surplus (deficiency)	(48,202)	(46,458)	4,376	1,478	(29,710)	(42,276)	(11,413)	6,777	65,106	-	
Percentage surplus (deficiency) of initial net reserve	(9.1%)	(8.2%)	0.7%	0.3%	(4.4%)	(5.8%)	(1.6%)	0.9%	8.2%	0.0%	

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. The unpaid claim liabilities for Personal Injury Protection Plan (PIPP) benefits represent the majority of the Corporation's claim liabilities. PIPP claim liabilities are also the most uncertain because of the long-term nature of these benefits. A 5.00 per cent increase in net PIPP claim liabilities is equal to approximately $71.5 million (March 31, 2021—$72.1 million). Such a change could occur if the actual future development of lifetime PIPP claimants was higher than expected.

The discount rate for the Corporation's claim liabilities is calculated based on the yield of the Corporation's fixed income portfolio. Approximately 76 per cent of the fixed income portfolio is composed of marketable bonds. A 1.00 per cent decrease in marketable bond interest rates would increase claim liabilities by approximately $157.4 million (March 31, 2021—$183.2 million), while a 1.00 per cent decrease in the claim liabilities discount rate would increase claim liabilities by approximately $211.2 million (March 31, 2021—$231.9 million). However, this impact would be largely offset by gains/losses on the Corporation's fixed income portfolio as described in the Interest Rate Risk section of Note L.

J. Capital Management

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

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

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

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

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 per cent
- Extension 200 per cent
- SRE 300 per cent

In Order No. 176/19, the Public Utilities Board approved the Corporation's Capital Management Plan, including the 100 per cent MCT Basic target capital level for the 2020/21 and 2021/22 insurance years. The Capital Management Plan determines the mechanism for building and releasing capital within the Basic line of business as well as the capital transfer protocols between lines of business.

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

As at March 31, 2022, Basic's MCT was 95 per cent (March 31, 2021—100 per cent), Extension's MCT was 201 per cent (March 31, 2021—196 per cent), and SRE's MCT was 270 per cent (March 31, 2021—288 per cent)

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

The below chart depicts the components of retained earnings.

	Basic Retained Earnings	Non-Basic Retained Earnings	Total Retained Earnings
Balance as at April 1, 2020	440,522	251,390	691,912
Net income attributable to Owner of the Corporation after rebate to policyholders for the year	8,156	19,216	27,372
Balance as at March 31, 2021	448,678	270,606	719,284
Net income (loss) attributable to Owner of the Corporation after rebate to policyholders for the year	**(89,343)**	**31,155**	**(58,188)**
Balance as at March 31, 2022	**359,335**	**301,761**	**661,096**

K. Accumulated Other Comprehensive Income (Loss)

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

(in thousands of Canadian dollars)	Equity Investments	Employee Future Benefits	Other Investments	Total AOCI
Balance as at April 1, 2020	(630)	(33,342)	(323)	(34,295)
Items that will not be reclassified to income				
Remeasurement of employee future benefits	-	(34,389)	-	(34,389)
Items that will be reclassified to income				
Unrealized losses on AFS assets	71,548	-	1,821	73,369
Reclassification of net realized losses related to AFS assets	(9,151)	-	(10,141)	(19,292)
Allocation adjustment*	23	(14)	(103)	(94)
Balance as at March 31, 2021	61,790	(67,745)	(8,746)	(14,701)
Items that will not be reclassified to income				
Remeasurement of employee future benefits	**-**	**40,644**	**-**	**40,644**
Items that will be reclassified to income				
Unrealized gains on AFS assets	**39,237**	**-**	**(23,811)**	**15,426**
Reclassification of net realized gains related to AFS assets	**(12,063)**	**-**	**22,011**	**9,948**
Allocation adjustment*	**(69)**	**160**	**21**	**112**
Balance as at March 31, 2022	**88,895**	**(26,941)**	**(10,525)**	**51,429**

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

L. Insurance and Financial Risk Management

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

The World Health Organization's declaration of the COVID-19 virus as a pandemic on March 11, 2020, disrupted the Corporation's business activities. Some of the major disruptions to the Corporation included a decline in claims cost as a result of fewer drivers on the road, unpredictability in investment income given the fluctuations in interest rates and significant market volatility.

Insurance Risk

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

The COVID-19 pandemic has increased uncertainty around insurance risk as a result of changes in claim costs and driver behaviour as discussed above. The Corporation has incorporated the impact of the pandemic in the determination of the provision for unpaid claims based on the information available.

Frequency and Severity of Claims

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

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

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

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

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

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

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

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

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

Concentration of Insurance Risk

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

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

Premium Pricing Risk

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

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

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

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

Financial Risk

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

Market Risk

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

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. As of March 31, 2022, total foreign denominated financial instruments was approximately 3.8 per cent (March 31, 2021—3.7 per cent) of the Corporation's investment portfolio and had carrying values noted below.

March 31, 2022	**March 31, 2022**	March 31, 2021	March 31, 2021
$75.8 million USD	**$94.7 million CAD**	$77.4 million USD	$97.4 million CAD
£5.7 million GBP	**$9.4 million CAD**	£6.5 million GBP	$11.3 million CAD

The Corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10.0 million. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the Corporation pays a fixed 7.5 per cent rate based on the U.S. $10.0 million par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13.4 million. As of March 31, 2022, the fair value of the swap was $0.6 million (March 31, 2021—$0.3 million). The maturity date of the currency swap and the bond is July 15, 2023.

Interest Rate Risk

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

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

	Average Effective Rate—%	
	2022	2021
Federal	**2.95**	1.66
Provincial	**3.15**	2.03
Municipal	**3.43**	2.61
Schools	**4.39**	4.44
Corporations	**4.10**	2.31

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

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

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

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

As of March 31, 2022, the Corporation's Basic claims marketable bonds first moment duration gap was negative 0.06 years. The non-marketable bonds had a modified duration gap of negative 0.10 years as of March 31, 2022. As at March 31, 2021, the Corporation's Basic claims duration gap was 0.2 years. The dollar difference in all fixed income assets and Basic claims liabilities was negative $118.2 million.

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

The approximate impact of an increase of 100 basis points in interest rates as at March 31, 2022, would decrease the net income (loss) attributable to Owner of the Corporation by $39.5 million (March 31, 2021—$17.2 million decrease) and increase the OCI of the Corporation by $26.1 million (March 31, 2021—$43.6 million increase). The approximate impact of a decrease of 100 basis points in interest rates as at March 31, 2022, would increase the net income (loss) attributable to Owner of the Corporation by $12.3 million (March 31, 2021—$14.0 million decrease) and decrease OCI of the Corporation by $33.5 million (March 31, 2021—$53.7 million decrease).

Equity Price Risk

The fair value of equity securities held by the Corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at March 31, 2022, a 10.0 per cent change in the fair value of the Corporation's equity portfolio would result in a $33.5 million (March 31, 2021—$33.8 million) change in OCI.

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

Credit Risk

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

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

(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021
Cash and cash equivalents	**153,129**	138,600
Bonds	**2,080,310**	2,341,215
Private debt	**136,857**	115,070
Due from other insurance companies	**14**	109
Accounts receivable	**395,854**	403,232
Reinsurance receivable	**2,038**	1,782
Maximum credit risk exposure on the Statement of Financial Position	**2,768,202**	3,000,008

Fixed Income Securities Credit Risk

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

	March 31, 2022		March 31, 2021	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Aaa	**66,580**	**3.0%**	234,013	9.5%
Aa	**684,408**	**30.9%**	1,345,051	54.8%
A	**950,387**	**42.8%**	339,795	13.8%
Baa	**270,206**	**12.2%**	285,718	11.6%
Ba	**-**	**0.0%**	11,778	0.5%
Not Rated	**245,586**	**11.1%**	239,930	9.8%
Total	**2,217,167**	**100.0%**	2,456,285	100.0%

Accounts Receivable Credit Risk

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

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

(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021
Policy and time payments	**314,337**	339,170
Accrued interest	**24,151**	20,011
Subrogation and other receivables	**101,264**	76,276
Allowance for doubtful accounts	**(43,898)**	(32,225)
At year ended	**395,854**	403,232

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**March 31, 2022**	March 31, 2021
Balance at beginning of period	**32,225**	26,089
Accounts written off	**(638)**	(2,828)
Current period provision	**12,311**	8,964
Balance at March 31	**43,898**	32,225

Reinsurance Receivable Credit Risk

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of which there were $0.4 million outstanding as of March 31, 2022 (March 31, 2021—$0.3 million).

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

For the 2021/22 fiscal year, ten reinsurers share the Corporation's casualty reinsurance coverage, ranging from 2.5 per cent to 30.0 per cent on any one layer. The reinsurer exposed to 30.0 per cent of the losses is licensed in Canada by OSFI and, therefore, subject to minimum capital requirements.

For the 2021/22 fiscal year, 17 reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 25.0 per cent of the reinsurance exposure on any one layer.

No material amount due from reinsurers was considered uncollectible during 2021/22 and no allowance for doubtful accounts has been established as at March 31, 2022.

Structured Settlements Credit Risk

The Corporation has settled some insurance claims by purchasing structured settlements from life insurers. As of the Statement of Financial Position date, the present value of expected payments totals $108.8 million (March 31, 2021—$127.7 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan. Assuris is an independent not-for-profit, industry-funded compensation organization founded in 1990. Assuris is designated by the federal Minister of Finance under *The Insurance Companies Act of Canada* to protect policyholders.

Liquidity Risk

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

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

Bonds—maturity profile

	March 31, 2022			
(in thousands of Canadian dollars)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total**
Federal	**-**	**-**	**44,186**	**44,186**
Manitoba				
Provincial	**-**	**-**	**117,073**	**117,073**
Municipal	**49**	**5,349**	**81,638**	**87,036**
Schools	**1,977**	**75,028**	**335,863**	**412,868**
Other Provinces				
Provincial	**27,035**	**113,882**	**647,070**	**787,987**
Municipal	**-**	**9,857**	**45,187**	**55,044**
Corporations	**108,729**	**77,002**	**390,385**	**576,116**
Total	**137,790**	**281,118**	**1,661,402**	**2,080,310**

	March 31, 2021			
(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
Federal	20,107	-	29,755	49,862
Manitoba				
Provincial	-	-	134,059	134,059
Municipal	247	5,975	69,161	75,383
Schools	2,514	66,389	384,401	453,304
Other Provinces	-	-	-	
Provincial	-	339,465	598,840	938,305
Municipal	19,038	5,263	49,077	73,378
Corporations	-	44,892	572,032	616,924
Total	41,906	461,984	1,837,325	2,341,215

Liability Liquidity

	March 31, 2022			
(in thousands of Canadian dollars)	**Within One Year**	**One Year to Five Years**	**After Five Years**	**Total**
Provision for unpaid claims Cash Flows—undiscounted basis	**344,173**	**376,419**	**1,312,929**	**2,033,521**

	March 31, 2021			
(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
Provision for unpaid claims Cash Flows—undiscounted basis	268,998	346,498	1,303,256	1,918,752