

# 2022/23

## Universal Compulsory Automobile Insurance Annual Financial Statements

For the fiscal year ending  
March 31, 2023





## 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). 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 careful assessment of data available through the Corporation's information systems and management. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

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

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

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

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

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

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



Marnie Kacher  
INTERIM PRESIDENT AND CHIEF EXECUTIVE OFFICER



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

June 22, 2023



Building a better  
working world

Ernst & Young LLP  
Actuarial Advisory Services  
Ernst & Young Tower  
100 Adelaide Street West, P.O. Box 1  
Toronto, Ontario M5H 0B3

Cosimo Pantaleo, FCIA, FCAS  
Tel: +1 416 943 3730  
Email: cosimo.pantaleo@ca.ey.com  
www.ey.com/ca

## 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 non-consolidated statement of financial position at 31 March 2023 and their changes in the non-consolidated 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.

A handwritten signature in black ink, appearing to be 'CP', enclosed within a large, loopy, handwritten oval.

Cosimo Pantaleo, FCIA  
June 22, 2023





## 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, 2023 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, 2023;
- the statement of operations for the year then ended;
- the statement of comprehensive income (loss) for the year then ended;
- the statement of changes in equity for the year then ended; 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 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.

PricewaterhouseCoopers LLP  
Richardson Building, One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6  
T: +1 204 926 2400, F: +1 204 944 1020, ca\_winnipeg\_main\_fax@pwc.com

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



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 22, 2023



# Financial Statements

## Statement of Financial Position

(in thousands of Canadian dollars)	March 31, 2023	March 31, 2022
<b>Assets</b>		
Cash and cash equivalents	102,396	153,129
Accounts receivable	433,009	395,854
Prepaid expenses	2,758	2,758
Investments	2,786,044	2,750,045
Investment property	5,759	5,912
Due from other insurance companies	28	14
Reinsurers' share of unpaid claims	4,657	2,457
Deferred policy acquisition costs	39,383	37,672
Property and equipment	124,238	111,880
Deferred development costs	28,272	44,688
	<b>3,526,544</b>	<b>3,504,409</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	58,748	60,876
Due to other insurance companies	363	369
Unearned premiums and fees	580,335	548,725
Lease obligation	5,308	5,361
Provision for employee current benefits	19,784	19,281
Provision for employee future benefits	328,847	355,244
Provision for unpaid claims	2,121,691	2,103,789
	<b>3,115,076</b>	<b>3,093,645</b>
<b>Equity</b>		
Retained earnings	354,677	359,335
Accumulated other comprehensive income	56,791	51,429
	<b>411,468</b>	<b>410,764</b>
	<b>3,526,544</b>	<b>3,504,409</b>

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

Approved by the Board of Directors:



Ward Keith  
CHAIRPERSON OF THE BOARD



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

## Statement of Operations

For the years ended March 31 (in thousands of Canadian dollars)	Notes	2023	2022
<b>Earned Revenues</b>			
Gross premiums written		1,123,870	1,080,879
Premiums ceded to reinsurers		(16,393)	(15,659)
Net premiums written		1,107,477	1,065,220
Decrease (increase) in gross unearned premiums		(25,847)	41,188
Net premiums earned		1,081,630	1,106,408
Service fees and other revenue		27,279	24,652
<b>Total Earned Revenues</b>		<b>1,108,909</b>	<b>1,131,060</b>
<b>Claims Costs</b>			
Direct claims incurred—gross		803,967	706,250
Claims incurred (recovered) ceded to reinsurers		(2,275)	(441)
Net claims incurred		801,692	705,809
Claims expense		146,265	146,277
Loss prevention/Road safety		10,530	10,337
<b>Total Claims Costs</b>		<b>958,487</b>	<b>862,423</b>
<b>Expenses</b>			
Operating		86,526	75,945
Commissions		47,548	44,925
Premiums taxes		32,941	28,966
Regulatory/Appeal		4,769	4,530
<b>Total Expenses</b>		<b>171,784</b>	<b>154,366</b>
<b>Underwriting income (loss)</b>		<b>(21,362)</b>	<b>114,271</b>
<b>Investment loss</b>		<b>(17,408)</b>	<b>(47,184)</b>
<b>Gain on disposal of property and equipment</b>		<b>112</b>	<b>104</b>
<b>Net income (loss) attributable to Owners of the Corporation before rebate to policyholders</b>		<b>(38,658)</b>	<b>67,191</b>
<b>Rebate to policyholders</b>	3	-	(156,534)
<b>Net loss attributable to Owners of the Corporation after rebate to policyholders</b>		<b>(38,658)</b>	<b>(89,343)</b>

## Statement of Comprehensive Income (Loss)

For the years ended March 31 (in thousands of Canadian dollars)	2023	2022
<b>Net loss attributable to Owners of the Corporation after rebate to policyholders</b>	<b>(38,658)</b>	<b>(89,343)</b>
<b>Other Comprehensive Income (Loss)</b>		
Items that will not be reclassified to income		
Remeasurement of employee future benefits	36,887	40,805
Items that will be reclassified to income		
Net unrealized gains (losses) on available for sale assets	(17,789)	15,377
Reclassification of net realized (gains) losses related to available for sale assets	(13,736)	9,948
Net unrealized gains (losses) on Available for Sale assets	(31,525)	25,325
Other comprehensive income for the year	5,362	66,130
<b>Total comprehensive loss attributable to Owners of the Corporation</b>	<b>(33,296)</b>	<b>(23,213)</b>

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

## Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Equity
Balance as at April 1, 2021	448,678	(14,701)	433,977
Net loss attributable to Owners of the Corporation after rebate to policyholders for the year	(89,343)	-	(89,343)
Other comprehensive income for the year	-	66,130	66,130
Balance as at March 31, 2022	359,335	51,429	410,764
Net loss attributable to Owners of the Corporation for the year	(38,658)	-	(38,658)
Other comprehensive income for the year	-	5,362	5,362
Transfer from Non-Basic retained earnings	34,000	-	34,000
<b>Balance as at March 31, 2023</b>	<b>354,677</b>	<b>56,791</b>	<b>411,468</b>

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

# Notes to Financial Statements

March 31, 2023

## 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 of Manitoba.

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). 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 22, 2023.

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 Revenues, Claims Incurred and Expenses*

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

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

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 per cent of Basic Claims investment income and other comprehensive income (loss).
- ii. 100 per cent 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, 2023. The Corporation has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of reported amounts as at March 31, 2023. As a result of this significant estimation uncertainty there is a risk that the assumptions used as at March 31, 2023, may change as more information becomes available, resulting in a material adjustment to reported amounts in future reporting periods.

## 2. Summary of Significant Accounting Policies

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

### Adoption of New and Amended Accounting Standards

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

#### *IAS 37—Provisions, Contingent Liabilities and Contingent Assets*

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

#### *2018-2020 Annual Improvement Cycle*

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

## Investments

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

The Corporation's directly held real estate investments are recorded at cost and are 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 the amount of the initial impairment recognized.

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

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

### ii. HTM Financial Assets

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

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



iii. **FVTPL Financial Assets**

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

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

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

*Loans and Receivables*

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

*Cash and Cash Equivalents*

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

*Impairment of Financial Assets*

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

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

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

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

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

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

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

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or

- It is becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

#### *Derecognition of Financial Assets*

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

#### *Financial Liabilities*

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

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

#### *Derivatives*

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

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

#### *Fair Value Determination*

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

#### *Deferred Policy Acquisition Costs*

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

#### *Property and Equipment*

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

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

**Land & Buildings**

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

**Furniture & Equipment**

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

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

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

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

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

**Investment Property**

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

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

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

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

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

- parkade 40 years
- surface parking lot held at cost

### Deferred Development Costs (Intangible Assets)

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

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

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

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

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

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

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

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

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

## Leasing

### *Manitoba Public Insurance as a Lessee*

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

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

### *Manitoba Public Insurance as a Lessor*

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

## Revenue

### *Premiums*

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

### *Unearned Premiums*

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

### *Interest Revenue*

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

### *Investment Income*

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

### *Realized Gains and Losses*

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

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

### Unrealized Gains and Losses

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

### Service Fees and Other Revenue

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

### Provisions

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

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

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

### Provision for Employee Current Benefits

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

### Provision for Employee Future Benefits

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

#### i. Pension Benefit Plan

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

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

#### ii. Other Benefit Plans

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

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

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

#### *Provision for Unpaid Claims*

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

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

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

#### *Liability Adequacy Test*

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

#### *Salvage and Subrogation*

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

#### *Structured Settlements*

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

#### *Reinsurance Ceded*

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

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

## Foreign Currency

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

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

## Comprehensive Income

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

## Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

### *Allowance for Doubtful Accounts*

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

### *Deferred Development Costs (Intangible Assets)*

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

### *Provision for Unpaid Claims*

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

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

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



#### *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 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, 2023. The standards that may have an impact to the Corporation are:

#### *IFRS 7—Financial Instruments: Disclosures*

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

#### *IFRS 9—Financial Instruments*

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

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

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

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

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

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

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

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

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

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

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

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

#### *IFRS 17—Insurance Contracts*

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

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

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

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

#### **Measurement**

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

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

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

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

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

#### Discount rate

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

#### Risk Adjustment

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

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

### 3. Rebate to Policyholders

As of March 31, 2023, there were no rebates to policyholders. On July 19, 2021, the Corporation applied to the Public Utilities Board to issue a directive that the Corporation issue to ratepayers a percentage of their annualized premiums in respect of universal compulsory automobile insurance policies, through a special payment in an amount equal to the approximate sum of \$202.7 million which included the \$155.4 million that had been accrued at the end of the 2020/21 fiscal year. The special rebate amount was updated by the Corporation on October 5, 2021, to \$335 million. On December 15, 2021, the Public Utilities Board issued Order 134/21 approving a rebate of approximately \$312 million. As at March 31, 2022, the Corporation expended \$156.5 million for rebates to policyholders and paid approximately \$311.9 million.







This document was printed on Forest Stewardship Council® (FSC®) certified paper, an international certification and labelling system dedicated to promoting responsible management of the world's forests. For more information about our environmentally responsible practices, visit [mpi.mb.ca](http://mpi.mb.ca).

This document, and a French-language version of this document, are available on our website, [mpi.mb.ca](http://mpi.mb.ca). Ce document, ainsi qu'une version en français de ce document, se trouve sur notre site Web [mpi.mb.ca](http://mpi.mb.ca).