MANITOBA PUBLIC INSURANCE

2020
Annual Report

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards. The financial statements necessarily include amounts that are based on management's best estimate and judgments which have been reached based on careful assessment of data available through Manitoba Public Insurance Corporation's (the "Corporation") information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

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

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

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

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

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

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

Original Document Signed

Eric Herbelin
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Original Document Signed

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

June 24, 2021

Independent Auditors' Report

Independent auditor's report

To the Board of Directors of Manitoba Public Insurance Corporation

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manitoba Public Insurance Corporation (the Corporation) as at March 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's financial statements comprise:

- the statement of financial position as at March 31, 2021;
- the statement of operations for the year then ended;
- the statement of comprehensive income (loss) for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows 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.

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

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

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

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

Auditor's responsibilities for the audit of the inancial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Charted Professional Accountants
Winnipeg, Manitoba
June 24, 2021

Actuary's Report

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

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities and reinsurance recoverables of Manitoba Public Insurance Corporation for its statements of financial position at March 31, 2021 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Joe S. Cheng
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Winnipeg, Manitoba
July 24, 2021

Financial Statements

Statement of Financial Position

(in thousands of Canadian dollars)	Notes	March 31, 2021	March 31, 2020 (Note 2)
Assets			
Cash and cash equivalents	4	**182,123**	236,815
Investments	4	**3,448,747**	3,069,398
Investment property	4 & 5	**14,115**	48,798
Due from other insurance companies	6	**126**	389
Accounts receivable	30	**506,597**	485,567
Prepaid expenses		**4,369**	4,374
Deferred policy acquisition costs	7	**64,586**	51,240
Reinsurers' share of unearned premiums	14 & 17	**644**	218
Reinsurers' share of unpaid claims	17 & 18	**6,759**	5,368
Property and equipment	8	**142,601**	114,055
Deferred development costs	9	**45,883**	44,034
		4,416,550	4,060,256
Liabilities			
Due to other insurance companies	10	**721**	702
Accounts payable and accrued liabilities	11	**237,996**	85,591
Lease obligation	12	**7,027**	7,070
Unearned premiums and fees	14	**727,179**	696,966
Provision for employee current benefits	15	**25,374**	24,298
Provision for employee future benefits	16	**514,537**	448,660
Provision for unpaid claims	17 & 18	**2,181,678**	2,149,980
		3,694,512	3,413,267
Equity			
Retained earnings	20	**719,284**	691,912
Accumulated other comprehensive income (loss)	21	**2,754**	(44,923)
		722,038	646,989
		4,416,550	4,060,256

Contingent Liabilities (Note 33)

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

Approved by the Board of Directors:

Original Document Signed

Dr. Mike Sullivan

CHAIRPERSON OF THE BOARD

Original Document Signed

Domenic Grestoni, CPA, CGA, ICD.D

CHAIR, AUDIT, FINANCE AND RISK COMMITTEE

Statement of Operations

(in thousands of Canadian dollars)	Notes	Year ended March 31, 2021	13 months ended March 31, 2020 (Note 2)
Earned Revenues			
Gross premiums written		**1,440,783**	1,526,194
Premiums ceded to reinsurers		**(19,607)**	(19,833)
Net premiums written		**1,421,176**	1,506,361
Increase in gross unearned premiums		**(32,232)**	(48,575)
Increase in reinsurers' share of unearned premiums		**426**	76
Net premiums earned		**1,389,370**	1,457,862
Service fees and other revenue	*22 & 23*	**37,817**	43,405
The Drivers and Vehicles Act operations recovery	*22 & 24*	**30,250**	32,771
Total Earned Revenues		**1,457,437**	1,534,038
Claims Costs			
Direct claims incurred—gross		**783,073**	1,009,465
Claims recovered ceded to reinsurers		**(2,906)**	(644)
Net claims incurred		**780,167**	1,008,821
Claims expense		**160,857**	161,236
Loss prevention/Road safety		**8,834**	14,495
Total Claims Costs		**949,858**	1,184,552
Expenses			
Operating		**119,812**	130,906
Commissions		**90,491**	96,347
Premiums taxes		**32,208**	44,329
Regulatory/Appeal		**4,421**	4,953
Total Expenses		**246,932**	276,535
Underwriting income		**260,647**	72,951
Investment income	*4*	**101,578**	107,221
Gain (loss) on disposal of property and equipment		**95**	(13)
Net income from operations		**362,320**	180,159
Surplus distribution	*25*	**(334,948)**	-
Net income from operations after surplus distribution	*26*	**27,372**	180,159

Statement of Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Notes	Year ended March 31, 2021	13 months ended March 31, 2020 (Note 2)
Net income from operations after surplus distribution	*26*	**27,372**	180,159
Other Comprehensive Income (Loss)	*16 & 21*		
Items that will not be reclassified to income			
Remeasurement of employee future benefits		**(45,859)**	22,035
Items that will be reclassified to income			
Unrealized gains (losses) on available for sale assets		**121,071**	(49,027)
Reclassification of net realized losses (gains) related to available for sale assets		**(27,535)**	51,724
Net unrealized gain on Available for Sale assets		**93,536**	2,697
Other comprehensive income for the period		**47,677**	24,732
Total comprehensive income		**75,049**	204,891

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

Statement of Changes in Equity

(in thousands of Canadian dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Equity
Balance as at March 1, 2019	511,753	(69,655)	442,098
Net income from operations after surplus distribution for the period	180,159	-	180,159
Other comprehensive income for the period	-	24,732	24,732
Balance as at March 31, 2020	**691,912**	**(44,923)**	**646,989**
Net income from operations after surplus distribution for the year	**27,372**	-	**27,372**
Other comprehensive income for the year	-	**47,677**	**47,677**
Balance as at March 31, 2021	**719,284**	**2,754**	**722,038**

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

Statement of Cash Flows

(in thousands of Canadian dollars)	*Notes*	**Year ended March 31, 2021**	13 months ended March 31, 2020 (Note 2)
Cash Flows from (to) Operating Activities:			
Net income from operations after surplus distribution		**27,372**	180,159
Non-cash items:			
Depreciation of property and equipment, and investment property		**6,595**	7,205
Amortization of deferred development costs		**18,066**	19,573
Amortization of bond discount and premium		**9,249**	6,712
Gain on sale of investments		**(27,722)**	(130,294)
Unrealized (gain) loss on fair value through profit or loss bonds		**10,111**	(24,872)
Unrealized loss on pooled real estate fund		**1,441**	80,560
Unrealized (gain) loss on infrastructure investments		**774**	(12,330)
Unrealized loss on private debt		**303**	321
Loss (gain) on disposal of property and equipment		**(95)**	13
Impairment (recovery) of available for sale investments		**(13,388)**	67,761
Impairment of deferred development costs		**930**	1,841
		33,636	196,649
Net change in non-cash balances:			
Due from other insurance companies		**263**	1,214
Accounts receivable and prepaid expenses		**(21,025)**	7,770
Deferred policy acquisition costs		**(13,346)**	(18,730)
Reinsurers' share of unearned premiums and unpaid claims		**(1,817)**	4,370
Due to other insurance companies		**19**	(1,667)
Accounts payable and accrued liabilities		**152,405**	(24,085)
Unearned premiums and fees		**30,213**	23,552
Provision for employee current benefits		**1,076**	1,458
Provision for employee future benefits		**20,018**	15,357
Provision for unpaid claims		**31,698**	65,348
		199,504	74,587
		233,140	271,236
Cash Flows from (to) Investment Activities:			
Purchase of investments		**(963,450)**	(1,604,718)
Proceeds from sale of investments		**698,406**	1,386,992
Acquisition of property and equipment net of proceeds from disposals		**(1,900)**	(3,412)
Lease obligation		**(43)**	1,495
Deferred development costs incurred		**(20,845)**	(7,886)
		(287,832)	(227,529)
Increase in cash and cash equivalents		**(54,692)**	43,707
Cash and cash equivalents beginning of year		**236,815**	193,108
Cash and cash equivalents end of year	4	**182,123**	236,815

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

Notes to Financial Statements

March 31, 2021

1. Status of Corporation

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

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

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

2. Basis of Reporting

Statement of Compliance

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

In April 2019, the Corporation's board approved a change to its fiscal year end from February 29, 2020, to March 31, 2020, as directed by the provincial government to align with the Government of Manitoba and other Provincial Crown Corporations. The current financial statements include the year ended March 31, 2021, while the comparative fiscal period include the 13 months ended March 31, 2020. As a result, information contained in these financial statements may not be entirely comparable. The financial statements for the year ended March 31, 2021, and the period ended March 31, 2020, have been prepared in accordance with IFRS. References to IFRS are based on Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises as set out in Part 1 of the CPA Canada handbook. Part 1 of the CPA Canada handbook incorporates IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The financial statements were authorized for issue by the Board of Directors on June 24, 2021.

Appointment of Actuary

The external actuary is appointed by the Board of Directors of the Corporation as the Appointed Actuary. With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the insurance contract liabilities and to report thereon to the Corporation's Board of Directors. Insurance contract liabilities include unearned premiums and unpaid claims and adjustment expenses.

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

Appointment of External Auditors

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

Basis of Presentation

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

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

The following balances are generally classified as non-current: investment property, property and equipment (including right-of-use assets), deferred development costs, lease obligations, provision for employee future benefits and provision for unpaid claims.

These statements are presented in thousands of Canadian dollars which is the Corporation's functional and presentational currency except as otherwise specified.

Seasonality

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

Basis of Measurement

The Corporation prepares its financial statements as a going concern, using the historical cost basis, except for financial instruments and insurance contract liabilities and reinsurers' share of unpaid claims. Measurement of the financial instruments is detailed in Note 3. Insurance contract liabilities and reinsurers' share of unpaid claims are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy for fair value) as explained in Note 3.

Estimates and Judgments

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

Emergency measures enacted by the federal and provincial governments in response to the COVID–19 pandemic, including physical distancing, travel restrictions, and the temporary closure of non-essential businesses, have created significant additional estimation uncertainty in the determination of reported amounts as at March 31, 2021. The Corporation has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of reported amounts as at March 31, 2021. As a result of this significant estimation uncertainty there is a risk that the assumptions used as at March 31, 2021, may change as more information becomes available, resulting in a material adjustment to reported amounts in future reporting periods.

3. Summary of Significant Accounting Policies

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

Adoption of New and Amended Accounting Standards

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

IFRS 16—Leases

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

IFRS 3—Business Combinations

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

Conceptual Framework for Financial Reporting

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

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

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

Investments

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

The Corporation’s directly held real estate investments are recorded at cost and are 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 the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets

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

Financial Liabilities

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

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

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

Derivatives

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

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

Fair Value Determination

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

Deferred Policy Acquisition Costs

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

Property and Equipment

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

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

Land & Buildings

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

Furniture & Equipment

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

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

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

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

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

Investment Property

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

The Corporation's investment property, which is property held 100 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, 2021.

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

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

- parkade 40 years
- surface parking lot held at cost

Deferred Development Costs (Intangible Assets)

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

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

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

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

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

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

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

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

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

Leasing

Manitoba Public Insurance as a Lessee

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

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

Manitoba Public Insurance as a Lessor

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

Revenue

Premiums

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

Unearned Premiums

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

Interest Revenue

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

Investment Income

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

Realized Gains and Losses

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

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

Unrealized Gains and Losses

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

Provisions

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

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

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

Provision for Employee Current Benefits

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

Provision for Employee Future Benefits

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

i. **Pension Benefit Plan**

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

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

ii. **Other Benefit Plans**

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

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

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

Provision for Unpaid Claims

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

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

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

Liability Adequacy Test

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

Salvage and Subrogation

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

Structured Settlements

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

Allocation of Revenue, Claims Incurred and Expenses

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

Service fees and other revenue are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations on the following basis:

i. Identifiable direct service fees and other revenue are allocated to each line of business.

ii. Where direct allocation is not possible, service fees and other revenue 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.

Investment income is allocated to the automobile insurance division lines of business, *The Drivers and Vehicles Act* operations and the discontinued general insurance division based on a direct attribution of each segments unique portfolio returns and a pro-rata share of the portfolio backing the corporate employee future benefits obligation.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business and *The Drivers and Vehicles Act* operations 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 each 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.

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 from operations and other comprehensive income. Changes in unrealized gains and losses on financial assets classified as AFS are recorded in OCI, and included in AOCI until recognized in the Statement of Operations. Actuarial gains and losses on employee future benefits amounts are recorded in OCI and included in AOCI. AOCI is included on the Statement of Financial Position as a separate component.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Allowance for Doubtful Accounts

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

Deferred Development Costs (Intangible Assets)

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

Provision for Unpaid Claims

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

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

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by the Corporation on an ongoing basis to reflect recent and emerging trends in experience. Sensitivity of these assumptions and the impact on net insurance contract liabilities and equity are fully disclosed in Note 18.

Provision for Employee Current Benefits

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

Provision for Employee Future Benefits

The Corporation has a defined benefit pension plan, severance benefit plan and post-retirement extended health benefit plans. The determination of expenses and liabilities associated with employee future benefits requires the use of critical assumptions such as discount rates, expected mortality rate, inflation rates, expected salary increases and expected health care cost increases. Due to the nature of the estimates used in the valuation process there is inherent measurement uncertainty within the employee future benefit assumptions. See Note 16 for further details of the significant estimates and changes impacting the current period financial statements.

Fair Value of Level 3 AFS and FVTPL Investments

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. See Note 4 for further details of valuation methods and assumptions.

Future Changes in Accounting Policy and Disclosure

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

IFRS 7—Financial Instruments: Disclosures

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

IFRS 9—Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

The fair values of the Corporation's financial assets based on contractual cash flow characteristics can be seen in Note 4.

IFRS 17—Insurance Contracts

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

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

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

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

IAS 37—Provisions, Contingent Liabilities and Contingent Assets

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

Annual Improvements

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

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

4. Cash, Cash Equivalents and Investments

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

Cash equivalent investments have a total principal amount of $96.5 million (March 31, 2020—$130.7 million) comprised of provincial short-term deposits with effective interest rates of 0.037 per cent to 0.04 per cent (March 31, 2020—0.64 per cent), with interest receivable at varying dates.

The Corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million (March 31, 2020—$5.0 million). The unsecured operating line of credit remained unutilized at March 31, 2021(March 31, 2020—nil).

Cash, Cash Equivalents and Investments

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	182,123	-	-	-	182,123
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	105,808	-	901,399	-	1,007,207
Municipal	-	-	73,378	-	73,378
Corporations	163,745	-	512,459	-	676,204
	303,792	493,809	1,671,796	-	2,469,397
Private debt	163,178	-	34,723	-	197,901
Other investments	671	-	-	-	671
Infrastructure	-	-	113,334	-	113,334
Equity investments	543,583	-	-	-	543,583
Pooled real-estate fund	-	-	123,861	-	123,861
Investments	1,011,224	493,809	1,943,714	-	3,448,747
Investment property	-	-	-	14,115	14,115
Total	1,193,347	493,809	1,943,714	14,115	3,644,985

As at March 31, 2020 (in thousands of Canadian dollars)	Financial Instruments Classified as AFS	Classified as HTM	Classified as FVTPL	Non-Financial Instruments	Total Carrying Value
Cash and cash equivalents	236,815	-	-	-	236,815
Bonds					
Federal	-	-	32,908	-	32,908
Manitoba:					
Provincial	5,835	-	123,198	-	129,033
Municipal	-	22,391	33,832	-	56,223
Schools	-	497,462	-	-	497,462
Other provinces:					
Provincial	100,790	-	907,674	-	1,008,464
Municipal	-	-	74,220	-	74,220
Corporations	134,027	-	398,456	-	532,483
	240,652	519,853	1,570,288	-	2,330,793
Private debt	109,707	-	13,346	-	123,053
Other investments	349	-	-	-	349
Infrastructure	-	-	123,663	-	123,663
Equity investments	371,703	-	-	-	371,703
Pooled real-estate fund	-	-	119,837	-	119,837
Investments	722,411	519,853	1,827,134	-	3,069,398
Investment property	-	-	-	48,798	48,798
Total	959,226	519,853	1,827,134	48,798	3,355,011

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

As at March 31, 2021 (in thousands of Canadian dollars)	**Book Value**	**Unrealized Gains/Losses**	**Fair Value**
Equity investments			
With unrealized gains	**439,312**	**104,271**	**543,583**
Subtotal—equity investments	**439,312**	**104,271**	**543,583**
Bonds			
With unrealized gains	**175,239**	**2,146**	**177,385**
With unrealized losses	**132,439**	**(6,032)**	**126,407**
Subtotal—bonds	**307,678**	**(3,886)**	**303,792**
Private debt			
With unrealized losses	**170,826**	**(7,648)**	**163,178**
Subtotal—private debt	**170,826**	**(7,648)**	**163,178**
Other investments			
With unrealized gains	**314**	**357**	**671**
Subtotal—other investments	**314**	**357**	**671**
Total AFS equity and other investments	**918,130**	**93,094**	**1,011,224**

As at March 31, 2020 (in thousands of Canadian dollars)	Book Value	Unrealized Gains/Losses	Fair Value
Equity investments			
With unrealized gains	198,305	279	198,584
With unrealized losses	173,921	(802)	173,119
Subtotal—equity investments	372,226	(523)	371,703
Bonds			
With unrealized gains	181,474	1,388	182,862
With unrealized losses	58,684	(894)	57,790
Subtotal—bonds	240,158	494	240,652
Private debt			
With unrealized gains	109,707	-	109,707
Subtotal—private debt	109,707	-	109,707
Other investments			
With unrealized gains	314	35	349
Subtotal—other investments	314	35	349
Total AFS equity and other investments	722,405	6	722,411

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

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

Fair-Value Measurement

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

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

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

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

No investments were transferred between levels in the year ended March 31, 2021, or period ended March 31, 2020.

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, 2021 (in thousands of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**
FVTPL financial assets			
Bonds	**13,556**	**1,643,702**	**14,538**
Private debt	**-**	**34,723**	**-**
Infrastructure	**-**	**-**	**113,334**
Pooled real estate fund	**-**	**123,861**	**-**
Total FVTPL financial assets	**13,556**	**1,802,286**	**127,872**
AFS financial assets			
Cash and cash equivalents	**182,123**	**-**	**-**
Bonds	**73,418**	**230,374**	**-**
Private debt	**-**	**76,524**	**86,654**
Other investments	**-**	**-**	**671**
Equity investments	**29,108**	**514,475**	**-**
Total AFS financial assets	**284,649**	**821,373**	**87,325**
Total assets measured at fair value	**298,205**	**2,623,659**	**215,197**

As at March 31, 2020 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3
FVTPL financial assets			
Bonds	11,356	1,544,293	14,639
Private debt	-	13,346	-
Infrastructure	-	-	123,663
Pooled real estate fund	-	119,837	-
Total FVTPL financial assets	11,356	1,677,476	138,302
AFS financial assets			
Cash and cash equivalents	236,815	-	-
Bonds	-	240,652	-
Private debt	-	30,362	79,345
Other investments	-	-	349
Equity investments	9,291	362,412	-
Total AFS financial assets	246,106	633,426	79,694
Total assets measured at fair value	257,462	2,310,902	217,996

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

	FVTPL		AFS	
(in thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Balance at period beginning*	**138,302**	126,313	**79,694**	378
Total gains/(losses)				
Included in net income	**1,502**	12,636	**5,966**	(5,966)
Included in OCI	**-**	-	**(5,960)**	(29)
Purchases	**1,166**	-	**7,625**	85,311
Sales	**(13,098)**	-	**-**	-
Return of capital	**-**	(647)	**-**	-
Balance at period ended*	**127,872**	138,302	**87,325**	79,694

*Due to the change in the fiscal year, the fiscal year ending March 31, 2020, is from March 1, 2019 to March 31, 2020, whereas year ending March 31, 2021, is from April 1, 2020, to March 31, 2021.

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, 2021, the fair value of municipal, utilities, schools and hospital bonds held to maturity is $493.8 million (March 31, 2020—$519.9 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 2019/20, impaired investments included in the Corporation's portfolio include the following:

As at March 31, 2020 (in thousands of Canadian dollars)	Gross	Impaired	Net
By investment type			
Bonds	140,685	(6,657)	134,028
Equities	243,665	(54,373)	189,292
Private Debt	116,438	(6,731)	109,707
Total	500,788	(67,761)	433,027

Investment Income

(in thousands of Canadian dollars)	**Year ended March 31, 2021**	13 months ended March 31, 2020
Interest income	**71,058**	75,863
Gain on sale of FVTPL bonds	**11,498**	22,544
Unrealized gain (loss) on FVTPL bonds	**(10,111)**	24,872
Unrealized loss on pooled real estate fund	**(1,441)**	(80,560)
Unrealized loss on private debt	**(303)**	(321)
Dividends on infrastructure investments	**2,550**	4,042
Realized gain on instrastructure investments	**2,782**	-
Unrealized gain (loss) on infrastructure investments	**(774)**	12,330
Foreign exchange loss on infrastructure investments	**(405)**	(16)
Dividend income	**6,896**	11,097
Gain on sale of equities and other investments	**13,848**	16,037
Loss on foreign exchange	**(1)**	(351)
Income (loss) from investment property	**(1,779)**	2,524
Realized gain on pooled real estate fund	**-**	92,080
Recovery/(Impairment) of AFS investments	**13,388**	(67,761)
Investment management fees	**(5,628)**	(5,159)
Total	**101,578**	107,221

Investment income is net of investment management fees paid to the Department of Finance in the amount of $5.2 million (March 31, 2020—$5.2 million). This includes $3.4 million (March 31, 2020—$3.4 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 Principle and Interest

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

As at March 31, 2021 (in thousands of Canadian dollars)	**Fair Value**	**Change in Fair Value During the Year**
SPPI	**2,381,707**	**40,808**
Other	**1,249,163**	**201,457**
Total	**3,630,870**	**242,265**

As at March 31, 2020 (in thousands of Canadian dollars)	Fair Value	Change in Fair Value During the Year
SPPI	2,308,667	50,743
Other	997,546	106,157
Total	3,306,213	156,900

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, 2021 (in thousands of Canadian dollars)	**Fair Value**	**Carrying Value**
Aaa	**234,013**	**234,013**
Aa	**1,407,343**	**1,407,343**
A	**346,404**	**346,404**
Baa	**285,718**	**285,718**
Ba	**11,778**	**11,778**
Not rated	**96,451**	**96,451**
Total	**2,381,707**	**2,381,707**

As at March 31, 2020 (in thousands of Canadian dollars)	Fair Value	Carrying Value
Aaa	209,193	209,193
Aa	1,409,450	1,409,449
A	338,013	338,013
Baa	219,618	219,618
Ba	1,699	1,699
Not rated	130,694	130,695
Total	2,308,667	2,308,667

5. Investment Property—Non-Financial Instruments

(in thousands of Canadian dollars)	Cityplace Building*	Surface Parking Lot	Parkade	Total
Cost				
Balance at March 1, 2019	42,266	1,040	16,186	59,492
Additions	1,109	-	-	1,109
Balance at March 31, 2020	43,375	1,040	16,186	60,601
Transfer to property & equipment	**(41,021)**	-	-	**(41,021)**
Disposal	**(2,354)**	-	-	**(2,354)**
Balance at March 31, 2021	-	**1,040**	**16,186**	**17,226**
Accumulated Depreciation				
Balance at March 1, 2019	8,097	-	2,368	10,465
Depreciation	951	-	387	1,338
Balance at March 31, 2020	9,048	-	2,755	11,803
Depreciation	**856**	-	**356**	**1,212**
Transfer to property & equipment	**(9,087)**	-	-	**(9,087)**
Disposal	**(817)**	-	-	**(817)**
Balance at March 31, 2021	-	-	**3,111**	**3,111**
Carrying Amounts				
At March 31, 2020	34,327	1,040	13,431	48,798
At March 31, 2021	-	**1,040**	**13,075**	**14,115**
Fair Value at March 31, 2021**	**N/A**	**4,920**	**16,690**	**21,610**

*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.

**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 at March 2021.

6. Due from Other Insurance Companies

(in thousands of Canadian dollars)	Year ended March 31, 2021	13 months ended March 31, 2020
Balance at beginning of period	**389**	1,603
Claims paid ceded to reinsurers	**1,516**	5,090
Less: recovery from reinsurers	**(1,779)**	(6,304)
Balance at period ended	**126**	389

7. Deferred Policy Acquisition Costs

(in thousands of Canadian dollars)	Premium Taxes	Commissions	Writedown	Total
Balance at March 1, 2019	18,551	41,876	(27,917)	32,510
Deferred during the period	45,786	94,347	17,406	157,539
Expensed during the period	(44,328)	(94,481)	-	(138,809)
Balance at March 31, 2020	20,009	41,742	(10,511)	51,240
Deferred during the year	**33,175**	**90,791**	**10,511**	**134,477**
Expensed during the year	**(32,208)**	**(88,923)**	-	**(121,131)**
Balance at March 31, 2021	**20,976**	**43,610**	-	**64,586**

Premium deficiencies are recognized first by writing down deferred policy acquisition costs with any remainder recognized as a liability. Refer to Note 3 for more information.

8. Property and Equipment

(in thousands of Canadian dollars)	Land & Buildings (1)	Furniture & Equipment(2)	Right-of-Use Assets (3)	Property Under Construction(4)	Total
Cost					
Balance at March 1, 2019	136,627	33,813	13,451	508	184,399
IFRS 16 transition adjustment	-	-	1,587	-	1,587
Additions	-	482	1,524	1,406	3,412
Disposals	-	(2,690)	-	-	(2,690)
Transfer from property under construction	103	381	-	(484)	-
Balance at March 31, 2020	136,730	31,986	16,562	1,430	186,708
Additions	-	**326**	-	**1,674**	**2,000**
Transfer from investment property	**41,021**	-	-	-	**41,021**
Disposals	-	**(1,005)**	-	-	**(1,005)**
Transfer from property under construction	**1,098**	**739**	-	**(1,837)**	-
Balance at March 31, 2021	**178,849**	**32,046**	**16,562**	**1,267**	**228,724**
Accumulated Depreciation					
Balance at March 1, 2019	38,969	27,496	2,998	-	69,463
Disposals	-	(2,677)	-	-	(2,677)
Depreciation	3,255	2,026	586	-	5,867
Balance at March 31, 2020	42,224	26,845	3,584	-	72,653
Transfer from investment property	**9,087**	-	-	-	**9,087**
Disposals	-	**(1,000)**	-	-	**(1,000)**
Depreciation	**3,033**	**1,810**	**540**	-	**5,383**
Balance at March 31, 2021	**54,344**	**27,655**	**4,124**	-	**86,123**
Carrying Amounts					
At March 31, 2020	94,506	5,141	12,978	1,430	114,055
At March 31, 2021	**124,505**	**4,391**	**12,438**	**1,267**	**142,601**

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 12 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 March 1, 2019	13,451	-	-	13,451
IFRS 16 transition adjustment	-	1,562	25	1,587
Additions	1,524	-	-	1,524
Balance at March 31, 2020	14,975	1,562	25	16,562
Balance at March 31, 2021	**14,975**	**1,562**	**25**	**16,562**

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

9. Deferred Development Costs

(in thousands of Canadian dollars)	Internally Developed Intangible Assets
Cost	
Balance at March 1, 2019	211,467
Additions	7,886
Impairments	(1,841)
Balance at March 31, 2020	217,512
Additions	**20,845**
Impairments	**(930)**
Balance at March 31, 2021	**237,427**
Accumulated Depreciation	
Balance at March 1, 2019	153,905
Amortization	19,573
Balance at March 31, 2020	173,478
Amortization	**18,066**
Balance at March 31, 2021	**191,544**
Carrying Amounts	
At March 31, 2020	44,034
At March 31, 2021	**45,883**

Deferred development costs of $19.0 million (March 31, 2020—$2.2 million) have not yet been put into use and are currently not being amortized. Impairments of $0.9 million (March 31, 2020—$1.8 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.

10. Due to Other Insurance Companies

(in thousands of Canadian dollars)	**Year ended March 31, 2021**	**13 months ended** March 31, 2020
Balance at beginning of period	**702**	2,369
Change in reinsurance ceded premiums written less instalment payments	**245**	4
Change in amounts received as collateral for reinsurers' share of unpaid claims	**(226)**	(1,671)
Balance at March 31	**721**	702

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

(in thousands of Canadian dollars)	**Year ended March 31, 2021**	13 months ended March 31, 2020
Due to the Province of Manitoba	**20,406**	20,473
Payroll	**7,656**	6,844
Broker commissions	**7,810**	6,829
Provision for fleet rebates	**19,377**	17,213
International Registration Program payable to other jurisdictions	**4,286**	2,973
Premium taxes	**1,740**	11,067
Surplus distribution	**155,425**	-
Other payables and accrued liabilities	**21,296**	20,192
Balance at March 31	**237,996**	85,591

12. Lease Obligation

The Corporation has elected not to recognize lease liabilities for short-term and low-value leases. Lease payments associated with such leases are expensed on a straight-line basis over the lease term. During the year ended March 31, 2021, $20 thousand was recognized as an expense for short-term and low value leases (March 31, 2020—$292 thousand).

None of the Corporation's leases are subleased and no contingent rent is payable for any lease arrangements.

The Service Centre built on land in Winnipeg at 1284 Main Street and the land on which it is built are owned by a third-party and are leased to the Corporation. The provisions of the lease include an initial term of 25 years and, at the Corporation's option, three further terms of five years each. The Corporation also recognizes the right-of-use asset for a building in Brandon, for which the Corporation has a lease agreement.

The details of the lease obligations are as follows:

(in thousands of Canadian dollars)	
Balance at March 1, 2019	3,988
IFRS 16 Transition Adjustment	1,587
Additions	1,524
Lease payments	(522)
Interest	493
Balance at March 31, 2020	7,070
Lease payments	**(504)**
Interest	**461**
Balance at March 31, 2021	**7,027**

Main Street—Building Lease

(in thousands of Canadian dollars with the exception of interest rates)	**March 31, 2021**	March 31, 2020
Interest rate	**6.70%**	6.70%
Interest rate expense for the year	**368**	400
Lease obligations at year end	**5,479**	5,504

The minimum lease payments are as follows:

	Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020	**March 31, 2021**	March 31, 2020
Not later than one year	**394**	394	**380**	380
Later than one year and not later than five years	**1,597**	1,577	**1,305**	1,291
Later than five years	**10,983**	11,397	**3,794**	3,833
Total	**12,974**	13,368	**5,479**	5,504

Main Street—Land Lease

(in thousands of Canadian dollars with the exception of interest rates)	**March 31, 2021**	March 31, 2020
Interest rate	**5.95%**	5.95%
Interest rate expense for the year	**92**	92
Lease obligations at year end	**1,539**	1,549

The minimum lease payments are as follows:

	Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020	**March 31, 2021**	March 31, 2020
Not later than one year	**102**	102	**99**	99
Later than one year and not later than five years	**413**	408	**345**	343
Later than five years	**2,843**	2,950	**1,095**	1,107
Total	**3,358**	3,460	**1,539**	1,549

Brandon—Royal Canadian Legion Branch #3

(in thousands of Canadian dollars with the exception of interest rates)	**March 31, 2021**	March 31, 2020
Interest rate	**5.95%**	5.95%
Interest rate expense for the year	**1**	1
Lease obligations at year end	**9**	17

The minimum lease payments are as follows:

	Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020	**March 31, 2021**	March 31, 2020
Not later than one year	**9**	9	**9**	9
Later than one year and not later than five years	**-**	9	**-**	8
Total	**9**	18	**9**	17

13. Operating Leases

As A Lessor:

The Corporation owns the cityplace property located in downtown Winnipeg including the cityplace building, one adjacent parking lot and one adjacent parkade. The cityplace building includes five floors of office space, three floors of parking and two floors of retail space. The Corporation leases out portions of the cityplace building.

None of the leases in which the Corporation acts as a lessor are sub-leased.

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

(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020
Not later than one year	**2,805**	2,716
Later than one year and not later than five years	**7,753**	7,157
Later than five years	**5,713**	5,992
Total	**16,271**	15,865

During the year ended March 31, 2021, income includes gross rental income from operating leases of $10.3 million (March 31, 2020—$14.1 million) and gross rental expenses pertaining to operating leases of $12.1 million (March 31, 2020—$11.5 million). Included in rental income is income contingent on retail sales of $1 thousand (March 31, 2020—$303 thousand).

14. Unearned Premiums and Fees

		March 31, 2021	
(in thousands of Canadian dollars)	**Gross**	**Reinsurers' Share**	**Net**
Unearned premiums			
Balance at April 1	**666,949**	**218**	**666,731**
Premiums written	**1,440,783**	**19,607**	**1,421,176**
Premiums earned	**(1,408,551)**	**(19,181)**	**(1,389,370)**
Balance at March 31	**699,181**	**644**	**698,537**
Prepaid premiums	**18,862**	**-**	**18,862**
Unearned fees	**9,136**	**-**	**9,136**
Balance at March 31	**727,179**	**644**	**726,535**

		March 31, 2020	
(in thousands of Canadian dollars)	Gross	Reinsurers' Share	Net
Unearned premiums			
Balance at March 1	618,374	142	618,232
Premiums written	1,526,194	19,833	1,506,361
Premiums earned	(1,477,619)	(19,757)	(1,457,862)
Balance at March 31	666,949	218	666,731
Prepaid premiums	18,972	-	18,972
Unearned fees	11,045	-	11,045
Balance at March 31	696,966	218	696,748

15. Provision for Employee Current Benefits

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

(in thousands of Canadian dollars)	**Year ended March 31, 2021**	13 months ended March 31, 2020
Balance at beginning of period	**24,298**	22,840
Provisions incurred	**16,599**	17,931
Payments	**(15,523)**	(16,473)
Balance at March 31	**25,374**	24,298

16. 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, 2020, with the next scheduled actuarial valuation being December 31, 2021. Additionally the Corporation had the external actuary revalue the benefit plans at the Corporation fiscal year end of March 31, 2021.

The actuarial valuation is based on the Corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the Corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. The weighted average duration of the defined benefit obligation is 17.0 years (March 31, 2020—17.3 years). Results from the most recent actuarial valuations, projected to March 31, 2021, and the corresponding economic assumptions are as follows:

Assumptions:

	Pension Benefit Plan		**Other Benefit Plans**	
	March 31, 2021	March 31, 2020	**March 31, 2021**	March 31, 2020
Discount rate on plan obligation	**3.34%**	3.98%	**3.34%**	3.98%
Discount rate on benefit costs	**3.98%**	3.69%	**3.98%**	3.69%
Inflation rate	**1.20%**	1.80%	**N/A**	N/A
Expected salary increase	**0.00%**	0.00%	**N/A**	N/A
Expected health care cost increase (out of scope)	**N/A**	N/A	**4.80%**	4.70%
Expected health care cost increase (in scope)	**N/A**	N/A	**1.20%**	1.80%

Change in benefit obligations:

	Pension Benefit Plan		**Other Benefit Plans**	
(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020	**March 31, 2021**	March 31, 2020
Balance at beginning of period	**394,986**	399,662	**53,674**	**57,264**
Current service cost	**17,334**	15,583	**5,670**	**3,109**
Interest cost	**15,001**	14,742	**1,552**	**1,433**
Benefits paid	**(17,022)**	(17,714)	**(2,517)**	**(3,384)**
Remeasurement (gains)/losses recognized in other comprehensive income	**47,012**	(17,287)	**(1,153)**	**(4,748)**
Balance at March 31	**457,311**	394,986	**57,226**	53,674
Employee contribution for the period	**10,591**	11,486	**-**	-

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, 2021, and March 31, 2020, are as follows:

Employee Future Benefits Investment Portfolio

	March 31, 2021		March 31, 2020	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Cash & cash equivalents	**2,835**	**0.6%**	617	0.1%
Bonds	**94,663**	**18.6%**	83,997	18.4%
Private debt	**86,654**	**17.0%**	79,345	17.3%
Equity investment	**190,977**	**37.5%**	142,638	31.1%
Pooled real-estate fund	**75,095**	**14.7%**	76,097	16.6%
Infrastructure	**59,201**	**11.6%**	75,595	16.5%
Total	**509,425**	**100.0%**	458,289	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, 2021**	March 31, 2020	**March 31, 2021**	March 31, 2020
Current service cost	**17,334**	15,583	**5,670**	3,109
Interest cost	**15,001**	14,742	**1,552**	1,433
Total	**32,335**	30,325	**7,222**	4,542

Sensitivity Analysis

Based on the December 31, 2020, actuarial valuation, changes to the actuarial assumptions would change the benefit obligation as follows:

Pension Benefit Plan

Gain due to discount rate increasing from 3.34% to 3.84% (plus .50%)	**(38,761)**
Loss due to discount rate decreasing from 3.34% to 2.84% (minus .50%)	**44,498**
Loss due to mortality life expectancy at age 65 up one year	**13,870**
Loss due to inflation indexing (2/3rd COLA) increasing 0.25%	**14,573**
Gain due to inflation indexing (2/3rd COLA) decreasing from 0.25%	**(13,378)**

Other Benefit Plans

Gain due to discount rate increasing from 3.34% to 3.84% (plus .50%)	**(526)**
Loss due to discount rate decreasing from 3.34% to 2.84% (minus .50%)	**607**
Loss due to mortality life expectancy at age 65 up one year	**92**
Loss due to health care cost inflation indexing increasing 0.25%	**295**
Gain due to health care cost inflation indexing decreasing 0.25%	**(276)**

Out-of-Scope Retirement Benefits

Gain due to discount rate increasing from 3.34% to 3.84% (plus .50%)	**(2,271)**
Loss due to discount rate decreasing from 3.34% to 2.84% (minus .50%)	**2,631**
Loss due to mortality life expectancy at age 65 up one year	**616**
Loss due to health care cost inflation indexing increasing 0.25%	**1,243**
Gain due to health care cost inflation indexing decreasing 0.25%	**(1,162)**

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	13,361	14,756	52,636	719,144	799,897
Other benefit plans	610	671	2,381	52,032	55,694
At March 31, 2021	**13,971**	**15,427**	**55,017**	**771,176**	**855,591**

(in thousands of Canadian dollars)	Less than a year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years	Total
Pension benefit plan	13,270	14,542	51,257	705,955	785,024
Other benefit plans	629	698	2,508	54,723	58,558
At December 31, 2019	13,899	15,240	53,765	760,678	843,582

17. Insurance Contracts

The following is a summary of the insurance contract provisions and related reinsurance assets as at March 31, 2021, and March 31, 2020.

		March 31, 2021	
(in thousands of Canadian dollars)	**Gross**	**Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Outstanding case reserves	1,418,678	7,362	1,411,316
Provision for incurred but not reported claims	443,067	(802)	443,869
Provision for internal loss adjusting expenses	208,854	-	208,854
Effect of discounting	(160,249)	(289)	(159,960)
Provision for adverse deviation	271,328	488	270,840
Provision for unpaid claims	2,181,678	6,759	2,174,919
Provision for unearned premiums (Note 14)	699,181	644	698,537
Total insurance contract provisions	**2,880,859**	**7,403**	**2,873,456**

		March 31, 2020	
(in thousands of Canadian dollars)	Gross	Reinsurance Ceded	Net
Insurance Contract Provisions			
Outstanding case reserves	1,414,640	4,126	1,410,514
Provision for incurred but not reported claims	456,750	1,056	455,694
Provision for internal loss adjusting expenses	207,783	-	207,783
Effect of discounting	(194,622)	(97)	(194,525)
Provision for adverse deviation	265,429	283	265,146
Provision for unpaid claims	2,149,980	5,368	2,144,612
Provision for unearned premiums (Note 14)	666,949	218	666,731
Total insurance contract provisions	2,816,929	5,586	2,811,343

The following is a summary of the insurance contract provisions and related reinsurance assets by line of business as at March 31, 2021, and March 31, 2020.

(in thousands of Canadian dollars)	**Gross**	**March 31, 2021 Reinsurance Ceded**	**Net**
Insurance Contract Provisions			
Basic	**2,514,729**	**2,077**	**2,512,652**
Extension	**105,055**	**49**	**105,006**
Special Risk Extension	**149,997**	**5,078**	**144,919**
Total undiscounted	**2,769,781**	**7,204**	**2,762,577**
Discounting with provision for adverse deviation and premium deficiency	**111,078**	**199**	**110,879**
Total Insurance contract provisions	**2,880,859**	**7,403**	**2,873,456**

(in thousands of Canadian dollars)	Gross	March 31, 2020 Reinsurance Ceded	Net
Insurance Contract Provisions			
Basic	2,514,794	4,896	2,509,898
Extension	103,246	211	103,035
Special Risk Extension	128,082	293	127,789
Total undiscounted	2,746,122	5,400	2,740,722
Discounting with provision for adverse deviation and premium deficiency	70,807	186	70,621
Total insurance contract provisions	2,816,929	5,586	2,811,343

18. 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.

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, 2020, valuation and the March 31, 2021, valuation, the discount rate, determined based on the market value weighted yield for the investment portfolio, decreased by 21 basis points from 3.09 per cent to 2.88 per cent. For Extension, the discount rate decreased by 24 basis points from 2.49 per cent to 2.25 per cent. For SRE, the discount rate decreased by 37 basis points from 2.51 per cent to 2.14 per cent. Overall, the decrease in the discount rate increased the discounted net claim liability by $40.9 million and ILAE provision by $4.3 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 an increase in the discounted net claim liabilities of $15.1 million and an increase in the ILAE provision of $2.8 million.

Change in the Weight Allocation for the Bornheutter-Ferguson Method

The weight allocations in the Bornheutter-Ferguson method were changed to give more weight to recent years to recognize lower frequency and COVID-19 impact. This change decreased the discounted net claim liabilities by $41.2 million and decreased the ILAE provision by $7.7 million.

Change in ABO-Non-Indexed 2015 and 2016 IBNR Selection Method

The ABO-Non-Indexed IBNR selection method was changed from Nil due to adequate case reserves to the Bornheutter-Ferguson Incurred method. There were consistent redundancies caused by a backlog in processing payments and reserves for permanent impairment. That has been rectified and the redundancies have declined to almost nothing. This change increased the discounted net claim liabilities by $1.6 million and increased the ILAE provision by $0.3 million.

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

Balance at March 31, 2021 (in thousands of Canadian dollars)	**Gross**	**Reinsurance Ceded**	**Net**
Automobile Insurance Division			
Liability	**2,040,895**	**6,032**	**2,034,863**
Physical damage	**138,937**	**727**	**138,210**
	2,179,832	**6,759**	**2,173,073**
Discontinued operations—personal/commercial lines	**1,846**	**-**	**1,846**
Total	**2,181,678**	**6,759**	**2,174,919**

Balance at March 31, 2020 (in thousands of Canadian dollars)	Gross	Reinsurance Ceded	Net
Automobile Insurance Division			
Liability	1,970,407	1,938	1,968,469
Physical Damage	177,696	3,430	174,266
	2,148,103	5,368	2,142,735
Discontinued Operations—Personal/Commercial Lines	1,877	-	1,877
Total	2,149,980	5,368	2,144,612

Changes in Unpaid Claims and ILAE Provision

Gross

(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020
Discounted unpaid claims at beginning of period	**1,942,197**	1,889,414
Effect of discounting and Provision for Adverse Deviation	**(70,807)**	(31,612)
Undiscounted unpaid claims at beginning of period	**1,871,390**	1,857,802
Ultimate claims for current accident year	**729,074**	929,436
Payment on current accident year claims	**(456,492)**	(586,702)
Change in ultimate claims from prior accident years	**(4,788)**	1,758
Payments on prior accident year claims	**(277,439)**	(330,904)
Undiscounted unpaid claims at the period end date	**1,861,745**	1,871,390
Effect of discounting and Provision for Adverse Deviation	**111,079**	70,807
Discounted unpaid claims at the period end date	**1,972,824**	1,942,197
ILAE provision	**208,854**	207,783
Total unpaid claims provision	**2,181,678**	2,149,980

Reinsurance Ceded

(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020
Discounted unpaid claims at beginning of period	**5,368**	9,814
Effect of discounting and provision for adverse deviation	**(186)**	(279)
Undiscounted unpaid claims at beginning of period	**5,182**	9,535
Ultimate claims for current accident year	**4,293**	-
Change in ultimate claims from prior accident years	**1,892**	454
Payments on prior accident year claims	**(4,807)**	(4,807)
Undiscounted unpaid claims at the period end date	**6,560**	5,182
Effect of discounting and provision for adverse deviation	**199**	186
Discounted unpaid claims at the period end date	**6,759**	5,368
Total unpaid claims provision	**6,759**	5,368

Net of Reinsurance Ceded

(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020
Discounted unpaid claims at beginning of period	**1,936,829**	1,879,600
Effect of discounting and provision for adverse deviation	**(70,621)**	(31,333)
Undiscounted unpaid claims at beginning of period	**1,866,208**	1,848,267
Ultimate claims for current accident year	**724,781**	929,436
Payment on current accident year claims	**(456,492)**	(586,702)
Change in ultimate claims from prior accident years	**(6,680)**	1,304
Payments on prior accident year claims	**(272,632)**	(326,097)
Undiscounted unpaid claims at the period end date	**1,855,185**	1,866,208
Effect of discounting and provision for adverse deviation	**110,880**	70,621
Discounted unpaid claims at the period end date	**1,966,065**	1,936,829
ILAE provision	**208,854**	207,783
Total unpaid claims provision	**2,174,919**	2,144,612

According to accepted actuarial practice, the discounted net claim liabilities include a provision for adverse deviation (PfAD) of $270.8 million (March 31, 2020—$265.1 million). This provision is comprised of a claims development PfAD of $186.6 million (March 31, 2020—$183.9 million), an interest rate PfAD of $83.9 million (March 31, 2020—$81.0 million), and a reinsurance PfAD of $0.3 million (March 31, 2020—$0.2 million).

Net claims incurred and adjustment expenses do not include any catastrophes in the current fiscal year (March 31, 2020—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.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended March 31, 2021, are a decrease of $0.03 million (March 31, 2020—decrease of $0.53 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

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 ten most recent accident years as estimated at each reporting date. 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, and are in red font. All other accident years are for the 12-month period of March 1 to February 28/29.

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	624,935	662,672	747,160	695,156	797,589	849,115	850,714	903,009	929,436	729,074	
One year later	628,331	688,939	749,198	702,512	809,487	868,568	862,666	912,378	855,664		
Two years later	648,565	693,249	757,375	710,390	824,666	883,231	871,953	903,754			
Three years later	641,615	686,140	765,209	692,855	820,578	884,145	864,352				
Four years later	650,484	693,530	750,567	693,202	819,162	882,820					
Five years later	655,895	713,438	747,494	691,440	824,277						
Six years later	661,569	712,570	738,583	687,740							
Seven years later	666,457	704,318	739,612								
Eight years later	665,765	705,414									
Nine years later	668,587										
Current estimate of cumulative claims cost	668,587	705,414	739,612	687,740	824,277	882,820	864,352	903,754	855,664	729,074	7,861,294
Cumulative payments to date	595,939	644,034	687,599	625,211	740,747	771,329	745,532	761,824	683,836	456,492	6,712,543
Effect of discounting and PfAD on above	4,535	3,594	2,981	3,461	4,747	6,597	7,005	8,135	13,523	19,136	73,714
Discounted gross unpaid claims in respect of years prior to 2012											748,513
Gross claims relating to discontinued general lines											1,846
ILAE provision											208,854
Total gross unpaid claims											2,181,678
Current estimate of surplus (deficiency)	(43,652)	(42,742)	7,548	7,416	(26,688)	(33,705)	(13,638)	(745)	73,772	-	
Percentage surplus (deficiency) of initial gross reserve	(7.0%)	(6.4%)	1.0%	1.1%	(3.3%)	(4.0%)	(1.6%)	(0.1%)	7.9%	0.0%	

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	624,467	662,195	744,364	694,710	797,164	848,721	850,337	886,592	929,436	724,781	
One year later	628,030	688,605	746,019	702,227	809,187	868,299	862,475	895,678	855,663		
Two years later	648,282	693,029	754,034	710,206	824,488	883,108	871,937	888,400			
Three years later	641,356	685,992	761,918	692,739	820,486	884,135	864,329				
Four years later	649,573	693,439	747,372	693,153	819,151	882,805					
Five years later	655,032	713,384	744,293	691,434	824,265						
Six years later	660,742	712,548	735,377	687,734							
Seven years later	666,011	704,315	736,383								
Eight years later	665,332	705,409									
Nine years later	667,821										
Current estimate of cumulative claims cost	667,821	705,409	736,383	687,734	824,265	882,805	864,329	888,400	855,663	724,781	7,837,590
Cumulative payments to date	595,507	644,034	684,651	625,212	740,747	771,329	745,532	747,208	683,837	456,492	6,694,549
Effect of discounting and PfAD on above	4,513	3,594	2,963	3,461	4,747	6,597	7,004	8,119	13,523	19,036	73,557
Discounted net unpaid claims in respect of years prior to 2012											747,621
Net claims relating to discontinued general lines											1,846
ILAE provision											208,854
Total net unpaid claims											2,174,919
Current estimate of surplus (deficiency)	(43,354)	(43,214)	7,981	6,976	(27,101)	(34,084)	(13,992)	(1,808)	73,773	-	
Percentage surplus (deficiency) of initial net reserve	(6.9%)	(6.5%)	1.1%	1.0%	(3.4%)	(4.0%)	(1.6%)	(0.2%)	7.9%	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 $72.1 million (March 31, 2020—$70.2 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 75 per cent of the Basic Claims, 59 per cent of the Extension and 66 per cent of the SRE fixed income portfolios are composed of marketable bonds. Across all lines of business (i.e., from a consolidated perspective), approximately 74 per cent of the all fixed income is invested in marketable bonds. The changes in the marketable bond yield have a direct impact on the estimated value of the Corporation's unpaid claim liabilities. In the March 31, 2020, report, it was assumed that the real liability discount rate would be capped at a minimum of 0.00 per cent. However, this constraint has been removed in the current year's analysis as the capping of the liability discount rate at 0.00 per cent reduces the effectiveness of the Corporation's Asset Liability Management strategy. A 1.00 per cent decrease in marketable bond interest rates would increase claim liabilities by approximately $186.2 million (March 31, 2020— $176.3 million; $131.9 million with the cap on the discount rate), while a 1.00 per cent decrease in the claim liabilities discount rate would increase claim liabilities by approximately $235.0 million (March 31, 2020—$226.4 million; $137.8 million with the cap on the discount rate). 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 30.

19. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at March 31, 2021, these reinsurance agreements limit the Corporation's exposure on a casualty basis to a maximum amount of $10.0 million for PIPP claims and $5.0 million for SRE claims(March 31, 2020—$10.0 million for PIPP and SRE) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a fiscal year aggregation of events exceeding $1.0 million, including catastrophic claims, to a retained maximum of $35.0 million (March 31, 2020—$35.0 million). These arrangements protect the Corporation against losses up to $300.0 million (March 31, 2020—$300.0 million).

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

20. 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 next two subsequent 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, 2021, Basic's MCT was 100 per cent (March 31, 2020—104 per cent), Extension's MCT was 196 per cent (March 31, 2020—317 per cent), and SRE's MCT was 288 per cent (March 31, 2020—241 per cent)

The Corporation's Chief Actuary has prepared a Financial Condition Test report for each insurance line of business to assess capital adequacy under adverse financial conditions. Basic, Extension and Special Risk Extension were all determined to have satisfactory future financial conditions as at March 31, 2021, based on the assessment of the Chief Actuary.

The below chart depicts the components of retained earnings.

	Basic Retained Earnings	Non-Basic Retained Earnings	Total Retained Earnings
Balance as at March 1, 2019	309,812	201,941	511,753
Net income from operations for the period	130,710	49,449	180,159
Balance as at March 31, 2020	440,522	251,390	691,912
Net income from operations after surplus distribution for the year	**8,156**	**19,216**	**27,372**
Balance as at March 31, 2021	**448,678**	**270,606**	**719,284**

21. 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 March 1, 2019	(3,202)	(66,516)	63	(69,655)
Items that will not be reclassified to income				
Remeasurement of employee future benefits	-	22,035	-	22,035
Items that will be reclassified to income				
Unrealized losses on AFS assets	(43,884)	-	(5,143)	(49,027)
Reclassification of net realized losses related to AFS assets	46,564	-	5,160	51,724
Balance as at March 31, 2020	(522)	(44,481)	80	(44,923)
Items that will not be reclassified to income				
Remeasurement of employee future benefits	**-**	**(45,859)**	**-**	**(45,859)**
Items that will be reclassified to income				
Unrealized gains on AFS assets	**118,642**	**-**	**2,429**	**121,071**
Reclassification of net realized gains related to AFS assets	**(13,849)**	**-**	**(13,686)**	**(27,535)**
Balance as at March 31, 2021	**104,271**	**(90,340)**	**(11,177)**	**2,754**

22. Revenue from Service Contracts and Other Revenues

The Corporation has recognized the following amounts relating to revenue from service contracts and other sources in the Statement of Operations.

(in thousands of Canadian dollars)	**Year ended March 31, 2021**	13 months ended March 31, 2020
Revenue from service contracts		
DVA operations	**30,250**	32,771
Information	**248**	406
	30,498	33,177
Revenue from other sources		
Administration fees	**11,000**	13,899
Certificates, cards and passes	**1,166**	1,849
Interest	**22,760**	25,899
Salvage	**251**	190
Training	**319**	556
Miscellaneous	**2,073**	606
	37,569	42,999
Total fees and other income	**68,067**	76,176

DVA operations revenue is earned from services provided by the Corporation on behalf of the Province of Manitoba. Revenue is recognized for these services over the period.

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

23. Service Fees and Other Revenue

(in thousands of Canadian dollars)	**Year ended March 31, 2021**	13 months ended March 31, 2020
Transaction fees	**8,029**	9,544
Time payment fees	**3,059**	3,272
Time payment interest	**22,760**	25,899
Late payment fees	**10**	1,221
Dishonoured payment fees	**538**	1,285
Identity card/enhanced identity card fees	**403**	511
Other miscellaneous revenue	**3,018**	1,673
Total	**37,817**	43,405

24. The Drivers and Vehicles Act Operations Recovery

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 Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payments to the Corporation, beginning April 1, 2017, is $30.2 million per year. Due to the change in the prior fiscal period, payments received from the Province for the 13 months ending March 31, 2020, totaled $32.8 million.

The Corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

(in thousands of Canadian dollars)	**12 months ended March 31, 2021**	13 months ended March 31, 2020
Vehicle registration fees	**186,692**	216,533
Driver licensing fees	**25,402**	27,616
Total	**212,094**	244,149

25. Surplus Distribution

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

i. $52.3 million from excess capital held in the Extension line of business as at the end of 2019/20. This portion of the payment was calculated based upon Basic premiums paid during the 2019/20 insurance year.

ii. $57.8 million from forecasted reductions in the number of claims for the initial COVID–19 period of March 15–May 15, 2020. This portion of the payment applied to all active Basic policies on March 15, 2020, and was subject to approval by the Public Utilities Board.

On April 27, 2020, the Corporation applied to the Public Utilities Board to issue a directive that the Corporation issue to ratepayers a percentage of their annualized premiums in respect of universal compulsory automobile insurance policies in-force on March 15, 2020, through a special payment in an amount equal to the approximate sum of $58 million. On May 1, 2020, the Public Utilities Board issued Order 67/20, approving the Corporation's application. The Corporation issued cheques to policyholders totaling $110.1 million.

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

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

In total, in 2020/21, the Corporation will have made available approximately $334.9 million in surplus distribution.

26. Line of Business Financials

Statement of Financial Positions by Line of Business

	Basic		Extension		SRE		DVA		Total*	
(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020 (Note 2)	**March 31, 2021**	March 31, 2020 (Note 2)	**March 31, 2021**	March 31, 2020 (Note 2)	**March 31, 2021**	March 31, 2020 (Note 2)	**March 31, 2021**	March 31, 2020 (Note 2)
Assets										
Cash, investments and investment property	**3,092,042**	2,856,604	**204,042**	191,236	**264,592**	229,797	**84,309**	77,374	**3,644,985**	3,355,011
Accounts receivable and prepaid expenses	**405,876**	406,844	**111,774**	84,330	**54,804**	33,997	**61,600**	429	**634,054**	525,600
Property and equipment	**110,262**	88,465	**9,088**	7,244	**8,695**	6,828	**14,556**	11,518	**142,601**	114,055
Other assets	**71,582**	65,999	**24,323**	23,658	**12,916**	7,170	**9,177**	4,422	**117,998**	101,249
	3,679,762	3,417,912	**349,227**	306,468	**341,007**	277,792	**169,642**	93,743	**4,539,638**	4,095,915
Liabilities										
Accounts payable and accrued liabilities	**196,153**	50,053	**103,283**	21,846	**2,262**	2,318	**59,386**	47,033	**361,084**	121,250
Unearned premiums and fees	**592,939**	569,706	**84,762**	82,207	**49,477**	45,050	**1**	3	**727,179**	696,966
Provision for employee future benefits	**385,846**	336,307	**32,735**	28,942	**31,176**	27,041	**64,780**	56,370	**514,537**	448,660
Provision for unpaid claims	**2,045,997**	2,031,336	**29,387**	30,873	**106,294**	87,771	**-**	-	**2,181,678**	2,149,980
Other liabilities	**24,850**	24,283	**2,120**	2,100	**2,239**	1,918	**3,913**	3,769	**33,122**	32,070
	3,245,785	3,011,685	**252,287**	165,968	**191,448**	164,098	**128,080**	107,175	**3,817,600**	3,448,926
Equity										
Retained earnings	**448,678**	440,522	**86,234**	142,867	**134,886**	116,310	**49,486**	(7,787)	**719,284**	691,912
Accumulated other comprehensive income (loss)	**(14,701)**	(34,295)	**10,706**	(2,367)	**14,673**	(2,616)	**(7,924)**	(5,645)	**2,754**	(44,923)
	433,977	406,227	**96,940**	140,500	**149,559**	113,694	**41,562**	(13,432)	**722,038**	646,989
	3,679,762	3,417,912	**349,227**	306,468	**341,007**	277,792	**169,642**	93,743	**4,539,638**	4,095,915

*The total reflected above includes inter-line of business transfers and therefore does not match the corporate financial statements for accounts receivable and accounts payable. The differences are $123.1 million for 2020/21 and $35.7 million for 2019/20.

Statement of Operations by Line of Business

For the periods ended (in thousands of Canadian dollars)	Basic		Extension		SRE		DVA		Total	
	Year March 31, 2021	13 months ended March 31, 2020 (Note 2)	**Year March 31, 2021**	13 months ended March 31, 2020 (Note 2)	**Year March 31, 2021**	13 months ended March 31, 2020 (Note 2)	**Year March 31, 2021**	13 months ended March 31, 2020 (Note 2)	**Year March 31, 2021**	13 months ended March 31, 2020 (Note 2)
Gross premiums written	**1,158,693**	1,239,263	**160,043**	169,129	**122,047**	117,802	**-**	-	**1,440,783**	1,526,194
Revenue										
Net premiums earned	**1,120,468**	1,175,940	**154,912**	170,317	**113,990**	111,605	**-**	-	**1,389,370**	1,457,862
Other revenue	**25,866**	29,120	**10,908**	13,373	**(215)**	(318)	**31,603**	33,988	**68,162**	76,163
Total Earned Revenue	**1,146,334**	1,205,060	**165,820**	183,690	**113,775**	111,287	**31,603**	33,988	**1,457,532**	1,534,025
Expenses										
Claims Costs	**803,256**	1,019,951	**68,465**	87,336	**78,137**	77,265	**-**	-	**949,858**	1,184,552
Commissions	**43,384**	45,683	**34,143**	37,946	**11,400**	10,854	**1,564**	1,864	**90,491**	96,347
Premiums taxes	**23,978**	35,742	**4,701**	5,171	**3,529**	3,416	**-**	-	**32,208**	44,329
Other Expenses	**74,462**	80,223	**7,864**	9,640	**8,046**	8,516	**33,861**	37,480	**124,233**	135,859
Total Expenses	**945,080**	1,181,599	**115,173**	140,093	**101,112**	100,051	**35,425**	39,344	**1,196,790**	1,461,087
Investment income	**89,528**	107,249	**5,042**	55	**5,913**	1,126	**1,095**	(1,209)	**101,578**	107,221
Net income from operations	**290,782**	130,710	**55,689**	43,652	**18,576**	12,362	**(2,727)**	(6,565)	**362,320**	180,159
Surplus distribution	**(282,626)**	-	**(52,322)**	-	**-**	-	**-**	-	**(334,948)**	-
Net income from operations after surplus distribution	**8,156**	130,710	**3,367**	43,652	**18,576**	12,362	**(2,727)**	(6,565)	**27,372**	180,159

27. Discontinued General Insurance Operations

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987, and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001, the Corporation accepted a third-party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the un-commuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975, to November 18, 1987, including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $42.0 thousand (March 31, 2020—$0.2 million net loss) which is reported as part of the Special Risk Extension line of business (Note 26). Included in the provision for unpaid claims is $1.8 million (March 31, 2020—$1.9 million) relating to discontinued operations.

28. Commitments

As of March 31, 2021, the Corporation has material commitments related to Administrative Service Contracts, Operations Service Agreements, and Information Technology Systems Contracts as follows:

(in thousands of Canadian dollars)	2021/22	2022/23	2023/24	2024/25	2025/26	Thereafter
Administrative service contracts	992	887	361	334	50	-
Operations service agreements	2,067	101	101	101	76	-
Information technology systems contracts	30,694	33,931	26,247	22,382	19,582	15,987
	33,753	**34,919**	**26,709**	**22,817**	**19,708**	**15,987**

29. Related-Party Transactions

Key Management Personnel

Key management personnel are comprised of all members of the Board of Directors and the named Executive management team. The summary of compensation of key management personnel for the year is as follows:

(in thousands of Canadian dollars)	**Year ended March 31, 2021**	13 months ended March 31, 2020
Short term benefits	**2,321**	2,275
Post-employment benefits	**280**	310
Other long-term benefits	**33**	32
Total	**2,634**	2,617

Key management personnel and their close relatives may have insurance policies and driver's licences with the Corporation as required by *The Manitoba Public Insurance Corporation Act* and *The Drivers and Vehicles Act*. The terms and conditions of such transactions are the same as those available to clients and employees of the Corporation.

Province of Manitoba

Investment management fees paid to the Department of Finance are disclosed in Note 4.

Accounts Payable and Accrued Liabilities include $26.6 million (March 31, 2020—$31.5 million) due to the Province of Manitoba.

The Province of Manitoba provides funding to the Corporation to defray the cost borne by the Corporation for DVA operations. The annual Province of Manitoba payments to the Corporation, beginning April 1, 2017, is $30.2 million per year. Due to the change in the prior fiscal period, payments received from the Province for the 13 months ending March 31, 2020, totaled $32.8 million.

30. Insurance and Financial Risk Management

Insurance Risk

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

Financial Risk

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

Market Risk

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

Currency Risk

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The Corporation has low exposure to currency risk because the Corporation has limited non-Canadian financial instruments. As of March 31, 2021, total foreign denominated financial instruments was approximately 4.95 per cent (March 31, 2020—1.73 per cent) of the Corporation's investment portfolio and had carrying values noted below.

March 31, 2021	**March 31, 2021**	March 31, 2020	March 31, 2020
$122.0 million USD	**$153.4 million CAD**	$16.1 million USD	$22.9 million CAD
£10.1 million GBP	**$17.5 million CAD**	£9.8 million GBP	$17.2 million CAD
		$15.3 million NZD	$12.9 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, 2021, the fair value of the swap was $14.5 million (March 31, 2020—$14.6 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—%	
	2021	2020
Federal	**1.66**	2.48
Provincial	**2.03**	2.24
Municipal	**2.61**	2.69
Schools	**4.44**	4.49
Corporations	**2.31**	2.71

The Corporation monitors interest rate risk by calculating the duration of the fixed income portfolio and the duration of unpaid claims and employee future benefit liabilities. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of morbidity and mortality primarily relating to PIPP claims. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by purchasing and selling fixed interest securities in order to adjust the duration of the assets appropriately. As at March 31, 2021, the Corporation's Basic claims duration gap was 0.2 years (March 31, 2020—0.9 years). The Corporation does not specifically match employee future benefit obligations with fixed income but rather a balanced asset allocation approach.

The approximate impact of an increase of 100 basis points in interest rates as at March 31, 2021, would decrease the net income of the Corporation by $17.2 million (March 31, 2020—$24.8 million decrease) and increase the OCI of the Corporation by $43.6 million (March 31, 2020—$53.8 million increase). The approximate impact of a decrease of 100 basis points in interest rates as at March 31, 2021, would decrease the net income of the Corporation by $14.0 million (March 31, 2020—$35.6 million increase) and decrease OCI of the Corporation by $53.7 million (March 31, 2020—$63.3 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, 2021, a 10.0 per cent change in the fair value of the Corporation's equity portfolio would result in a $54.4 million (March 31, 2020—$37.2 million) change in OCI.

As all equities are classified as AFS, all changes in prices are recorded as OCI and do not directly impact the Statement of Operations until such time as an investment is sold or has become impaired (Note 3). 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, 2021**	March 31, 2020
Cash and cash equivalents	**182,123**	236,815
Bonds	**2,469,397**	2,330,793
Private debt	**197,901**	123,053
Due from other insurance companies	**126**	389
Accounts receivable	**506,597**	485,567
Reinsurance receivable	**6,952**	4,909
Maximum credit risk exposure on the Statement of Financial Position	**3,363,096**	3,181,526

Fixed Income Securities Credit Risk

The Corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according primarily to Moody's Investors Service at the period end date. 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, 2021		March 31, 2020	
	Carrying Value (in thousands of Canadian dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of Canadian dollars)	Percentage of Portfolio
Aaa	**234,013**	**8.8%**	209,193	8.5%
Aa	**1,407,343**	**52.8%**	1,409,450	57.5%
A	**346,404**	**13.0%**	338,013	13.8%
Baa	**285,718**	**10.7%**	219,618	8.9%
Ba	**11,778**	**0.4%**	1,699	0.00
Not Rated	**382,042**	**14.3%**	275,873	0.11
Total	**2,667,298**	**100.0%**	2,453,846	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, 2021**	March 31, 2020
Policy and time payments	**470,604**	455,311
Accrued interest	**26,230**	25,837
Subrogation and other receivables	**57,646**	42,271
Allowance for doubtful accounts	**(47,883)**	(37,852)
At period end	**506,597**	485,567

Details of the allowance for doubtful accounts are as follows:

(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020
Balance at beginning of period	**37,852**	27,576
Accounts written off	**(3,289)**	(622)
Current period provision	**13,320**	10,898
Balance at March 31	**47,883**	37,852

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 $0.5 million outstanding as of March 31, 2021 (March 31, 2020—$0.7 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 2020/21 fiscal year, eleven reinsurers share the Corporation's casualty reinsurance coverage, ranging from 5.0 per cent to 31.5 per cent on any one layer. The reinsurer exposed to 31.5 per cent of the losses is licensed in Canada by OSFI and, therefore, subject to minimum capital requirements.

For the 2020/21 fiscal year, nineteen reinsurers share the Corporation's catastrophe reinsurance coverage, none holding more than 29.25 per cent of the reinsurance exposure on any one layer.

No material amount due from reinsurers was considered uncollectible during 2020/21 and no allowance for doubtful accounts has been established as at March 31, 2021.

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 $136.1 million (March 31, 2020—$135.4 million) based on various dates of purchase. The Corporation guarantees the future annuity payments to claimants and is thus exposed to a credit risk to the extent any of the life insurers fail to fulfill their obligations. The net risk to the Corporation is the credit risk related to the life insurance companies that the annuities are purchased from. This risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan.

Liquidity Risk

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

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

Bonds—maturity profile

		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	**8,899**	**347,135**	**651,173**	**1,007,207**
Municipal	**19,038**	**5,264**	**49,076**	**73,378**
Corporations	**-**	**44,892**	**631,312**	**676,204**
Total	**50,805**	**469,655**	**1,948,937**	**2,469,397**

		March 31, 2020		
(in thousands of Canadian dollars)	Within One Year	One Year to Five Years	After Five Years	Total
Federal	-	-	32,908	32,908
Manitoba				
Provincial	-	-	129,033	129,033
Municipal	96	2,553	53,574	56,223
Schools	2,164	37,351	457,947	497,462
Other Provinces				
Provincial	23,373	217,989	767,102	1,008,464
Municipal	-	24,790	49,430	74,220
Corporations	152,819	7,949	371,715	532,483
Total	178,452	290,632	1,861,709	2,330,793

Liability Liquidity

	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	**317,571**	**395,506**	**1,328,448**	**2,041,525**

	March 31, 2020			
(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	350,430	394,040	1,312,220	2,056,690

31. Non-Current Assets and Liabilities

The following table presents financial assets and liabilities valued on the Corporation's Statement of Financial Position that the Corporation expects to recover or settle in 12 months or greater.

(in thousands of Canadian dollars)	**March 31, 2021**	March 31, 2020
Financial Assets		
Bonds	**2,418,592**	2,152,341
Pooled real-estate fund	**123,861**	119,837
Infrastructure and other investments	**114,005**	124,012
Reinsurers' share of unpaid claims	**4,544**	2,596
	2,661,002	2,398,786
Financial Liabilities		
Lease obligations	**6,539**	3,728
Provision for unpaid claims—net	**1,862,629**	1,797,352
	1,869,168	1,801,080
Net assets due after one year	**791,834**	597,706

32. Rate Regulation

Under the provisions of *The Crown Corporations Governance and Accountability Act*, the Public Utilities Board has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the Corporation. No new rates or fees for services can be introduced without the approval of the Public Utilities Board. This business comprises approximately 84 per cent (March 31, 2020—86 per cent) of the total business based on net claims incurred.

Annually the Corporation prepares its Basic Insurance general rate application and files it with the Public Utilities Board in the month of June for implementation the following fiscal year. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The Corporation is required to pay a portion of the Public Utilities Board's operating costs relating to the Corporation's share of the overall Public Utilities Board budget. In addition, the Public Utilities Board can also order the Corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

33. Contingent Liabilities

The Corporation is subject to litigation arising in the normal course of conducting its insurance business. The Corporation is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Corporation.