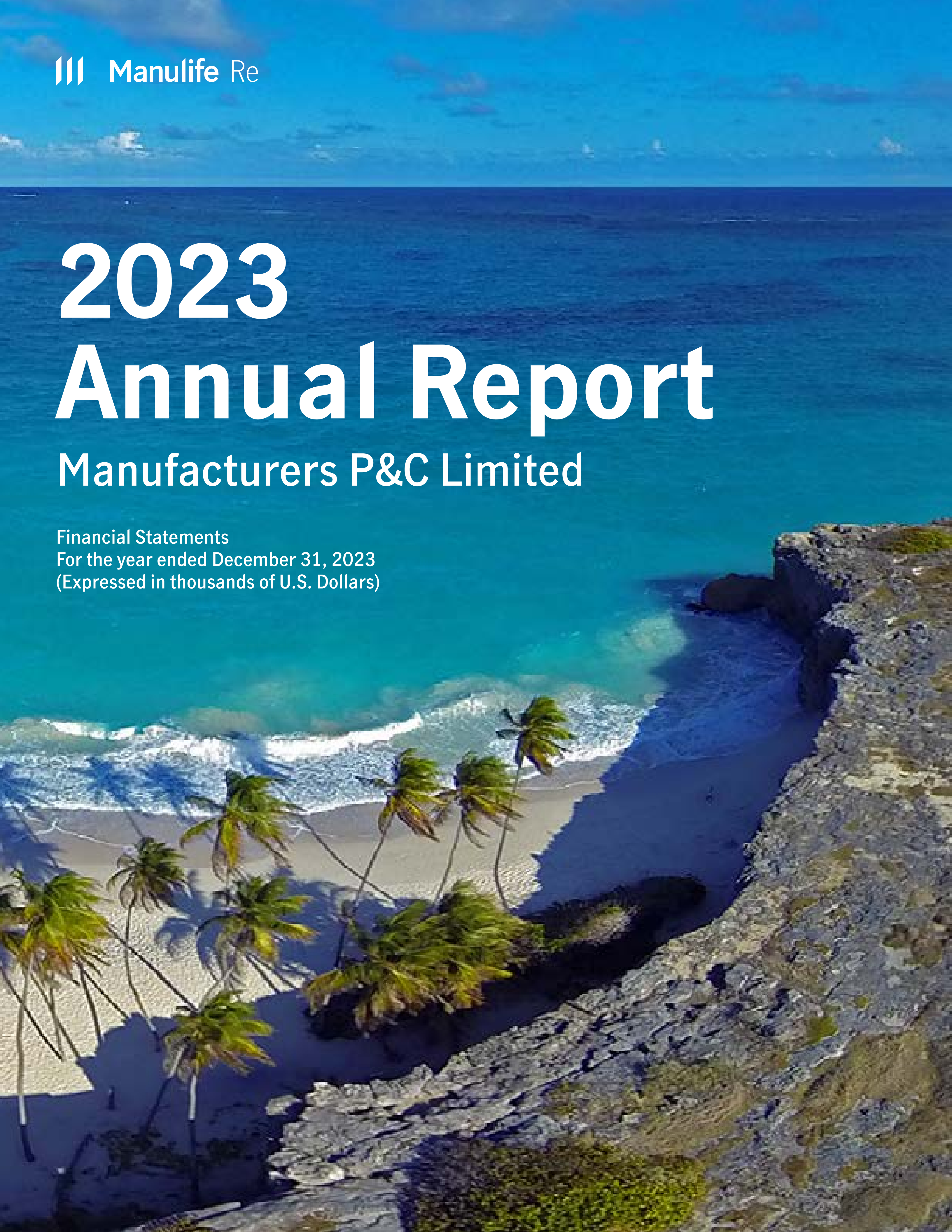
Manulife Re

2023 Annual Report

Manufacturers P&C Limited

Financial Statements
For the year ended December 31, 2023
(Expressed in thousands of U.S. Dollars)



Independent Auditor's Report

To the shareholder of Manufacturers P&C Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Manufacturers P&C Limited ("the Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Manufacturers P&C Limited as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRSs, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 Company'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 Company'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 Company 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 the Board of Directors 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.

Ernst + Young Ltd

Barbados
22 April 2024

Manufacturers P&C Limited

Statement of Financial Position

As at December 31
(Expressed in thousands of U.S. Dollars)

	December 31, 2023	Restated (Note 3) December 31, 2022	Restated (Note 3) January 1, 2022
Assets			
Cash and short-term securities (Note 5)	$ 20,454	$ 7,125	$ 181,636
Invested assets (Note 4)	658,076	564,091	225,001
Accrued investment income	3,674	2,272	1,479
Capital assets, net of accumulated depreciation	741	260	508
Deferred tax asset (Note 9)	325	2,327	661
Other assets	240	263	239
Balance due from related companies (Note 5)	81	54	31
	$ 683,591	$ 576,392	$ 409,555
Liabilities			
Insurance contract liabilities (Note 6)	$ 196,169	$ 289,565	$ 194,266
Accounts payable and accrued liabilities	4,081	2,268	138
Balance due to related companies (Note 5)	286	165	139
	$ 200,536	$ 291,998	$ 194,543
Equity			
Share capital (Note 8)	$ 415,000	$ 415,000	$ 215,000
Retained earnings (Accumulated deficit)	109,600	(87,933)	(9,340)
Accumulated other comprehensive (loss) income	(41,545)	(42,673)	9,352
	$ 483,055	$ 284,394	$ 215,012
	$ 683,591	$ 576,392	$ 409,555

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

Claudio Macchi
Director

Marc Costantini
Director

Manufacturers P&C Limited

Statement of Income (Loss)

For the year ended December 31
(Expressed in thousands of U.S. Dollars)

		Restated (Note 3)
	December 31, 2023	**December 31, 2022**
Insurance Service Results		
Insurance service revenue	$ 116,025	$ 117,735
Insurance service expenses	58,522	(206,517)
Total insurance service results	$ 174,547	$ (88,782)
Investment Results		
Investment income (Note 4)	$ 25,756	$ 8,569
Investment expenses	(519)	(295)
Net investment income	$ 25,237	8,274
Realized and unrealized (losses) gains from insurance results	(169)	221
Total investment results	$ 25,068	$ 8,495
Other revenue	37	34
Interest expense	(10)	(5)
Net income (loss) before income taxes	$ 199,642	$ (80,258)
Income tax (expenses) recoveries	(1,999)	1,665
Net income (loss) after tax	$ 197,643	$ (78,593)

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

Manufacturers P&C Limited

Statement of Comprehensive Income (Loss)

For the year ended December 31
(Expressed in thousands of U.S. Dollars)

				Restated (Note 3)
		December 31, 2023		**December 31, 2022**
Net income (loss)	$	197, 643	$	(78,593)
Other comprehensive income (loss):				
Unrealized gains (losses) on investments		1,128		(51,758)
Total comprehensive income (loss)	$	198,771	$	(130,351)

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

Manufacturers P&C Limited

Statement of Changes in Equity

For the year ended December 31
(Expressed in thousands of U.S. Dollars)

		Restated (Note 3)
	December 31, 2023	**December 31, 2022**
Common shares		
Balance, beginning of year	$ 415,000	$ 215,000
Issue of shares (Note 8)	-	200,000
Balance, end of year	$ 415,000	$ 415,000
Retained Earning (Accumulated Deficit)		
Balance, beginning of year	$ (87,933)	$ (16,024)
Opening adjustment of insurance contracts at adoption of IFRS 17	-	6,841
Opening adjustment of financial assets at adoption of IFRS 9	(110)	(157)
Restated balance, beginning of year	$ (88,043)	$ (9,340)
Net income (loss)	197,643	(78,593)
Balance, end of year	$ 109,600	$ (87,933)
Accumulated other comprehensive (loss) income		
Balance, beginning of year	$ (42,673)	$ 9,195
Opening adjustment of financial assets at adoption of IFRS 9	-	(110)
Restated balance, beginning of year	$ (42,673)	$ 9,085
Other comprehensive income (loss)	1,128	(51,758)
Balance, end of year	$ (41,545)	$ (42,673)
Total equity	$ 483,055	$ 284,394

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

Manufacturers P&C Limited

Statement of Cash Flows

For the year ended December 31
(Expressed in thousands of U.S. Dollars)

	2023	Restated (Note 3) 2022
Operating activities		
Net income (loss) before taxation	$ 199,642	$ (80,258)
Adjustment for non-cash items:		
Depreciation of capital assets	137	140
Depreciation right of use asset	112	113
Unrealized losses (gains) on investments	34	(38)
Realized losses on investments (Note 4)	30	721
Net realized foreign exchange losses	617	343
Net amortization of discount on bonds (Note 4)	(12,914)	(3,049)
Gain on sale of capital assets	(60)	-
Net income (loss) adjusted for non-cash items	187,598	(82,028)
Net change in non-cash assets and liabilities (Note 10)	(92,868)	96,615
Lease interest paid	(10)	(5)
Net cash provided by operating activities	$ 94,720	$ 14,582
Investing activities		
Net change in capital assets	$ (670)	$ (6)
Purchase of investments	(562,224)	(439,933)
Proceeds from the sale and maturity of investments	481,634	50,985
Net cash used in investing activities	$ (81,260)	$ (388,954)
Financing activities		
Common shares issued	$ -	$ 200,000
Lease payments	(131)	(139)
Net cash (used in) provided by financing activities	$ (131)	$ 199,861
Cash and cash equivalents		
Net increase (decrease) during the year	$ 13,329	$ (174,511)
Balance, beginning of year	7,125	181,636
Balance, end of year	$ 20,454	$ 7,125
Cash and cash equivalents consist of:		
Cash and liquidity pool	$ 20,454	$ 7,125
Supplemental disclosures on cash flow information:		
Interest received	$ 11,504	$ 5,410

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

Manufacturers P&C Limited

Notes to the financial statements

December 31, 2023
(Expressed in thousands of U.S. Dollars)

1. Nature of Operations

Manufacturers P&C Limited ("the Company") is a limited company incorporated under the Laws of Bermuda on June 26, 1986. The Company filed Articles of Continuance under the Laws of Barbados on January 1, 1996 and is a wholly owned subsidiary of Manulife Holdings (Bermuda) Limited ("MHBL"). MHBL is a wholly owned subsidiary of The Manufacturers Life Insurance Company ("MLI"), a company incorporated in Canada that is a wholly owned subsidiary of Manulife Financial Corporation ("MFC"), a publicly traded holding company incorporated in Canada.

The registered office of the Company is located at The Goddard Building, Haggatt Hall, St. Michael, Barbados.

The Company is principally engaged in the provision of reinsurance coverage for certain property and casualty insurance risks.

The financial statements of the Company as at and for the year ended December 31, 2023 were authorized for issue in accordance with a resolution of the directors on March 22, 2024.

2. Material Accounting Policies

The significant accounting policies used, and the most significant judgments made by management in applying the accounting policies in the preparation of these financial statements are summarized below:

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from these estimates. The most significant estimation processes relate to the determination of insurance liabilities, assessing assets for impairment and estimating fair values of certain invested assets. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. The significant accounting policies used, and the most significant judgments made by management in applying these accounting policies in the preparation of these financial statements are summarized below.

The Company's results and operations have been and may continue to be adversely impacted by the economic environment. The adverse effects include but are not limited to recessionary economic trends in markets the Company operates in, potential reinsurance claims and disruption of business operations. The breadth and depth of these events and their duration contribute additional uncertainty around estimates used in determining the carrying value of certain assets and liabilities included in these financial statements.

The Company has applied appropriate measurement techniques using reasonable judgment and estimates from the perspective of a market participant to reflect current economic conditions. The impact of these techniques has been reflected in these financial statements. Changes in the inputs used could materially impact the respective carrying values.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and amounts held in a liquidity pool in the form of demand promissory notes. Liquidity pool notes are carried at amortized cost which approximates fair value. Refer to Note 5.

(c) Invested Assets

Invested assets are recognized initially at fair value plus, in the case of investments not classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Invested assets that are considered financial instruments are classified as fair value through other comprehensive income ("FVOCI"), FVTPL or as amortized cost. The Company determines the classification of its financial assets at initial recognition.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market prices at the close of business on or immediately before the date of statement of financial position. All marketable security transactions are recognized on the trade date.

The Company assesses the contractual terms of the assets to determine whether their terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Only debt instruments may have SPPI cash flows. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as prepayment and redemption rights, conversion features, and subordination of the instrument to other instruments of the issuer. An asset with contractual terms that introduce a more than de minimis exposure to risks of not collecting principal or interest would not meet the SPPI test.

Investments are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

All investment securities for which the market value has been significantly below amortized cost for a considerable period of time are individually reviewed for impairments. A distinction is made between circumstances attributed to general market fluctuations and those attributed to issuer specific developments.

The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the Company's intent and ability to hold the securities under the Company's long-term investment strategy. The amount of an impairment loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the investment's original effective interest rate. Impairment losses, if any, are recognized in income.

Realized gains and losses on disposal of FVOCI investments, amortization of premiums or discounts arising on the acquisition of investments and impairments are recorded in income.

Interest income is recognized on an accrual basis using the effective interest method.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (not a forced liquidation or distressed sale) between market participants at the measurement date, that is, an exit value. When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based upon alternative valuation techniques such as discounted cash flows, matrix pricing, consensus pricing services and other techniques. Broker quotes are generally used when external public vendor prices are not available.

The Company has a valuation process in place that includes a review of price movements relative to the market, a comparison of prices between vendors, and a comparison to internal matrix pricing which uses predominately external observable data. Judgment is applied in adjusting external observable data for items including liquidity and credit factors.

The methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practical to estimate a value are as follows:

i. **Short-term financial assets and liabilities**
   The cost based carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise cash equivalents, balance due from related companies and accrued investment income. Short-term financial liabilities comprise accounts payable and accrued liabilities and balances due to related companies.

ii. **Investments**
   The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety.

   The three levels of the fair value hierarchy are defined as follows:

   Level 1 - Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date reflecting market transactions.

   Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data. Most bonds are classified within Level 2.

   Level 3 - Fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. Level 3 securities might include less liquid securities including securities that have little or no price transparency.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimizes the use of unobservable inputs to the extent possible.

Expected Credit Loss Impairment

Under IFRS 9, expected credit loss ("ECL") allowances are recognized on all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. The ECL model under IFRS 9 replaces the incurred loss model under IAS 39.

The Company measures loss allowances at either a 12-month ECL or lifetime ECL. A 12-month ECL results from any default events that could potentially occur within the 12 months following the reporting date. A 12-month ECL is calculated for financial assets that are determined to have low credit risk or the credit risk has not increased significantly since initial recognition. A lifetime ECL results from all possible default events over the expected life of the financial asset, which is the maximum contractual period over which the Company is exposed to the credit risk. A lifetime ECL is recognized for financial assets that have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment.

The Company monitors all financial assets that are subject to impairment for significant increases in credit risk. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Measurement of Expected Credit Losses

The ECL allowance is based on a probability-weighted estimate of credit losses expected as a result of defaults over the relevant time period as prescribed under the ECL model. The measurement of ECL for a financial asset is based primarily on the exposure at default, the probability of default, and the loss given default. The measurement of ECL allowances requires the use of judgment and assumptions.

For performing financial assets, the ECL is calculated as the present value of all cash shortfalls which are the difference between cash flows due to the Company and the cash flows expected to be received. For financial assets that are impaired, the ECL is calculated as the difference between the carrying value of the asset and the present value of estimated future cash flows. Financial assets that are subject to ECL allowances are categorized into three stages:

Stage 1 - Performing financial assets that have not experienced a significant increase in credit risk since initial recognition or have low credit risk are categorized into stage 1. A 12-month ECL allowance is calculated for stage 1 financial assets. To assess if credit risk has increased significantly, the Company compares the risk of default at initial recognition to the risk as at the current reporting date.

Stage 2 - Performing financial assets that have experienced a significant increase in credit risk since initial recognition are categorized into stage 2. A lifetime ECL allowance is calculated for stage 2 financial assets. Financial assets are assessed for a significant increase in credit risk on an individual basis, utilizing the Company's internal credit risk rating system and the monitoring of timely payments on the assets. Financial assets that have contractual payments more than 30 days past due are generally presumed to have experienced a significant increase in credit risk and are included in stage 2. A financial asset in stage 2 can revert to stage 1 if the credit risk subsequently improves.

Stage 3 - Impaired financial assets are categorized into stage 3 and require a lifetime ECL allowance. Financial assets are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal. Financial assets are deemed to be impaired when there is objective evidence that timely collection of future cash flows can no longer be reliably estimated. The fair value of a financial asset is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset; however, market price is taken into consideration when evaluating impairment.

Presentation of Expected Credit Losses

The ECL allowance for financial assets classified as FVOCI is recognized in the Statements of Other Comprehensive Income and does not reduce the carrying value of the asset. Financial assets classified as amortized cost are presented net of the ECL allowance in the Statement of Financial Position.

When there is no expectation of recovery, the Company will partially or fully write off a financial asset against the related allowance for credit loss. Financial assets that are written off could still be subject to enforcement activities. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses and are recognized within the net investment result in the Statements of Earnings.

Modified Financial Assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the Company's accounting policies.

If modification does not result in derecognition, the financial asset continues to be subject to the assessment for significant increase in credit risk relative to initial recognition. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset.

Definition of Default

The definition of default used in the measurement of ECL is consistent with the definition used for the Company's internal credit risk management purposes. A financial asset is considered to be in default when the issuer is unlikely to meet its credit obligations in full or when it is 90 days past due. The definition of default may differ across financial assets and considers qualitative factors, such as financial covenants and other indicators of financial distress, as well as quantitative factors, such as non-payment of other obligations by the same issuer. The Company uses data from internal and external sources when assessing whether an asset is in default.

(d) Capital assets

Capital assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on the cost of an asset less its residual value and is recognized in income on a straight-line basis over the estimated useful life ranging from three to ten years. Impairment losses are recorded in income to the extent the recoverable amount is less than the carrying amount.

(e) Insurance contract liabilities

The contracts reinsured by the Company are considered insurance contracts under which the Company accepts significant insurance risk from a ceding company. A contract is considered to have significant insurance risk if, and only if, an insured event could cause a reinsurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Once a contract has been classified as an insurance contract, it remains an insurance contract even if the insurance risk reduces significantly. Insurance contracts are accounted for in accordance with IFRS 17.

The Company makes a provision for losses incurred but not reported, for the development of reported losses and for loss handling expenses advised by the ceding company in accordance with the terms of the contracts and supported by management estimates, and where appropriate, actuarial analysis. These estimates are continually reviewed and adjusted where necessary.

The determination of the provision for losses and related loss expenses is established by taking losses reported to the Company by ceding companies but which have not been paid and where appropriate adding estimates for the expected losses incurred but not reported ("IBNR"). Ultimate losses may differ from the amounts recorded in the financial statements. Changes in the amount of loss reserves are recorded in income as part of losses incurred.

Level of aggregation

Insurance contracts are aggregated into portfolios of insurance contracts which are managed together and are subject to similar risks. The Company has defined portfolios by considering various factors such as the issuing subsidiary, measurement model, major product line and type of insurance risk. The portfolios of insurance contracts are further grouped by:

- Date of issue: the period cannot be longer than one year. All of the Company's insurance contracts are aggregated into annual cohorts; and
- Expected profitability at inception into one of three categories: onerous contracts, contracts with no significant risk of becoming onerous and other remaining contracts. Onerous contracts are those contracts that at initial inception, the Company expects to generate net outflow, without considering investment returns or the benefit of any reinsurance contracts held.

The Company establishes the groups at initial recognition and may add contracts to the groups after the end of a reporting period, however, the Company does not subsequently reassess the composition of the groups.

Cash flows within the contract boundaries

The Company includes in the measurement of a group of insurance contracts, all future cash flows within the boundary of the contracts in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist in which the Company can compel the reinsurer to pay the premiums or has a substantive obligation to provide services to the reinsurer.

For insurance contracts, a substantive obligation to provide services ends when the Company has the practical ability to reassess the risks and as a result, can set a new price or level of benefits that fully reflects those risks.

Measurement models

There are three measurement models for insurance contracts:

Variable fee approach ("VFA"):
A Company applies this approach to insurance contracts with direct participation features such as participating life insurance contracts, unit linked contracts, and variable annuity contracts. The direct participating feature is identified at inception, where a Company has the obligation to pay the policyholder an amount equal to the fair value of the underlying items less a variable fee in exchange for investment services provided.

Premium allocation approach ("PAA"):
A Company applies this simplified approach for certain insurance contracts and reinsurance contracts with duration of typically one year or less.

General measurement model ("GMM"):
A Company applies this model to remaining insurance contracts and reinsurance contracts not measured using the VFA or the PAA.

The Company applies the PAA model to its reinsurance contracts.

Recognition of insurance contracts

The Company recognizes groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts,
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date, and
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous.

Insurance contracts measured under the PAA measurement

The Company applies the PAA to all insurance contracts it issues if the coverage period of the contract is one year or less; or the coverage period is longer than one year and the measurement of the liability for remaining coverage ("LRC") for the contracts under the PAA does not differ materially from the measurement that would be produced applying the GMM approach under possible future scenarios.

The LRC is initially measured as the premium received at initial recognition minus any insurance acquisition cash flows at that date. There is generally no allowance for the time value of money as the premiums are mostly received within one year of the coverage period.

For acquisition cash flows allocated to recognized groups of contracts applying the PAA, the Company is permitted to defer and amortize the amount over the coverage period or recognize the amount as an expense as incurred provided that the coverage period of the contracts in the group is no more than one year. This election can be made at the level of each group of insurance contracts. The Company has elected to defer directly attributable acquisition costs and recognize in net income over the coverage period in a systematic way based on the passage of time.

If facts and circumstances indicate that there are onerous group of contracts at initial measurement, a loss is immediately recognized in the income or expenses for the net outflow and a loss component of the LRC is created for the group.

Subsequent measurement

Subsequently, the Company measures the carrying amount of the LRC at the end of each reporting period as:

- The LRC at beginning of the period; plus
- Premium received in the period; minus
- Directly attributable acquisition costs net of related amortization (unless expensed as incurred); minus
- Amount recognized as insurance revenue for the period; minus
- Investment component paid or transferred to the liability for incurred claims ("LIC").

The amount recognized as insurance revenue for the period is typically based on the passage of time. For the Company the expected pattern of release of risk during the coverage period differs significantly from the passage of time and as such the amount recognized as insurance revenue is on the basis of the expected timing of incurred service expenses.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, the Company will recognize a loss in income or expenses and an increase in the LRC to the extent that the current estimate of the fulfillment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC.

The Company estimates the LIC as the fulfillment cash flows related to incurred claims. The Company does not adjust the future cash flows for the time value of money, except when claims are expected to settle more than one year after the actual claim occurs.

Assets for insurance acquisition cash flows
Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company recognizes all acquisition cash flows as expenses when it incurs those costs.

Presentation and Disclosure

The Company separately presents the insurance service result, which comprise insurance revenue and insurance service expenses, from the investment result, which comprise insurance finance income or expenses in the Statements of Income.

Net insurance service result

The insurance revenue depicts the performance of insurance services and excludes investment components. For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing insurance services in the period.

The insurance service expenses arising from insurance contracts are recognized in income or expenses generally as they are incurred and excludes repayment of investment components. The insurance service expenses comprise: **(a)** incurred claims and other insurance service expenses; **(b)** losses on onerous contracts and reversal of such losses, if any; **(c)** adjustments to LIC; **(d)** amortization of insurance acquisition cash flows; and **(e)** impairment losses on assets for insurance acquisition cash flows, if any, and reversals of such impairment losses.

For contracts measured under the PAA with deferred acquisition cash flows, the Company amortizes insurance acquisition cash flows over the duration of the group of insurance contracts based on the respective coverage units.

(f) Foreign currency translation

The financial statements are expressed in United States dollars, the functional currency of the economic environment in which the Company operates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date. Revenue and expenses denominated in foreign currencies are translated at the average exchange rate prevailing during the quarter reported. Gains and losses arising from foreign currency translation are included in income.

(g) Employee future benefits

The Company maintains a defined contribution pension plan for eligible employees. The defined contribution plan provides pension benefits based on the accumulated contributions and investment earnings thereon. The cost of the defined contribution plan is the contribution provided by the Company and is recognized in the Statement of Income in the periods during which services are rendered by employees.

(h) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for leases, except short-term leases and leases of low-value assets. The Company recognizes a right-of-use asset representing the right to use the underlying asset and a lease liability to make lease payments. The asset and liability arise primarily from the Company's real estate lease contract.

The Company has elected to expense lease payments on a straight-line basis for leases with a lease term of 12 months or less or if the underlying assets have a low value.

The right-of-use asset is $502 (2022 - $57) and is included with the capital assets and the lease liability $507 (2022 - $69) is included with accounts payable and accrued liabilities on the Statement of Financial Position.

(i) Income taxes

The provision for income taxes is calculated based on income tax laws and income tax rates substantively enacted as at the date of Statement of Financial Position. The income tax provision is comprised of current income taxes and deferred income taxes. Current and deferred income taxes relating to items recognized in OCI and directly in equity are similarly recognized in OCI and directly in equity, respectively.

Current income taxes are amounts expected to be payable or recoverable for the current year and any adjustments to taxes payable in respect of previous years.

Deferred income taxes are provided for using the liability method and result from temporary differences between the carrying values of assets and liabilities and their respective tax bases. Deferred income taxes are measured at the substantively enacted tax rates that are expected to be applied to temporary differences when they reverse.

A deferred tax asset is recognized to the extent that future realization of the tax benefit is probable. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority.

Deferred tax liabilities are recognized for all taxable temporary differences.

The Company records liabilities for uncertain tax positions if it is probable that the Company will make a payment on tax positions due to examinations by tax authorities. These provisions are measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses they are no longer required or determined by statute.

The Company is subject to income tax laws in Barbados. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for current income taxes and deferred income taxes represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the year.

The Company may be required to change its provision for income taxes or deferred income tax balances when the ultimate deductibility of certain items is successfully challenged by taxing authorities, or if estimates used in determining the amount of deferred tax balances to recognize change significantly, or when receipt of new information indicates the need for adjustment in the amount of deferred income taxes to be recognized. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income taxes, deferred tax balances and the effective tax rate. Any such changes could materially affect the amounts reported in the financial statements in the period these changes occur.

3. Accounting and Reporting Changes

(a) Changes in accounting and reporting policy

(i) IFRS 17 "Insurance Contracts"

IFRS 17 "Insurance Contracts" was issued in May 2017 to be effective for years beginning on January 1, 2021. Amendments to IFS 17 "Insurance Contracts" were issued in June 2020 and include a two-year deferral of the effective date. IFRS 17 as amended, is effective for years beginning on January 1, 2023, to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard replaced IFRS 4 "Insurance Contracts" and materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements.

Narrow-scope amendments to IFRS 17 "Insurance Contracts" were issued in December 2021 and are effective on initial application of IFRS 17 and IFRS 9 "Financial Instruments" which the Company has adopted on January 1, 2023. The amendments reduce accounting mismatches between insurance contract liabilities and financial assets in scope of IFRS 9 within comparative prior periods when initially applying IFRS 17 and IFRS 9. The amendments allow insurers to present comparative information on financial assets as if IFRS 9 were fully applicable during the comparative period. The amendments do not permit application of IFRS 9 hedge accounting principles to the comparative period.

The Company adopted IFRS 17 on January 1, 2023, with an effective date of January 1, 2022. The Company has prepared an opening balance sheet as at January 1, 2022 under IFRS 17 in the Statements of Financial Position. Any differences between the carrying value and the presentation of assets, liabilities and equity determined in accordance with IFRS 17, as at January 1, 2022, have been recorded in opening retained earnings and accumulated other comprehensive income. Refer to Note 15 for adoption of IFRS 17.

The 2022 comparative figures and the opening Statement of Financial Position as at January 1, 2022 as presented in these Financial Statements have been restated, where indicated, for the adoption of IFRS 17. For the Company's accounting policies for applying IFRS 17 to the Company's reinsurance contracts, refer to Note 2 (e).

Under IFRS 17 the Company has applied the PAA as contract coverage periods are less than or equal to one year. The Company does not adjust future cash flows for the time value of money.

The principles underlying IFRS 17 differ from insurance reserving as permitted by IFRS 4. The key difference is the change in the timing of recognition of earnings. The Company continues its assessment of the implications of this standard and expects that it will not have a significant impact on the Company's financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was issued in November 2009 and amended in October 2010, November 2013 and July 2014, and is effective for years beginning on or after January 1, 2018, to be applied retrospectively, or on a modified retrospective basis. Additionally, the IASB issued amendments in October 2017 that are effective for annual periods beginning on or after January 1, 2019. In conjunction with the amendments to IFRS 17 "Insurance Contracts" issued in June 2020, the IASB amended IFRS 4 "Insurance Contracts" to permit eligible insurers to apply IFRS 9 effective January 1, 2023, alongside IFRS 17. The standard replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 addresses accounting and reporting principles for the classification and measurement of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. IFRS 7 "Financial Instruments: Disclosures" ("IFRS 7") was amended in conjunction with IFRS 9 and IFRS 17, with expanded qualitative and quantitative disclosures related to financial instruments and became effective along with IFRS 9 and IFRS 17 on January 1, 2023.

The Company adopted IFRS 9 on January 1, 2023, as permitted under the June 2020 amendments to IFRS 4 "Insurance Contracts". The Company's accounting policies for invested assets are in accordance with IFRS 9 are presented in Note 4.

IFRS 9 does not require restatement of comparative periods and the Company has not done so. The Company elected the option under IFRS 17 to reclassify financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, on an instrument-by-instrument basis, for 2022 comparatives in order to align with the classifications on initial application of IFRS 9 as at January 1, 2023. These classification changes led the Company to present certain investment results previously reported in net investment income or OCI under IAS 39, within OCI or net investment income under IFRS 9, respectively. For 2022 comparative information, the Company did not apply IFRS 9's ECL impairment model or hedge accounting principles. With respect to these matters, the guidance contained in IAS 39 was maintained. In the case of assets previously classified as FVTPL under IAS 39 and classified as FVOCI or amortized cost under IFRS 9, no IAS 39 impairment was calculated for these Financial Statements.

Consistent with IFRS 17 amendments, the adoption of IFRS 9 resulted in certain differences in the classification and measurement of financial assets when compared to their classification and measurement under IAS 39.

The implementation of IFRS 9 has been incorporated into the Company's Enterprise Risk Management Framework ("ERM") and supervised by the Executive Risk Committee ("ERC"). The integration of forward-looking information into the calculation of the ECL and the definition and evaluation of what constitutes a significant increase in credit risk ("SICR") of an investment are inherently subjective and involve the use of significant judgment. Therefore, the Company has developed a front-to-back governance framework over the ECL calculation and has designed controls and procedures to provide reasonable assurance that information is properly recorded. The Company has effective credit risk management processes in place that continue to be applicable and aim to ensure that the effects of economic developments are appropriately considered, mitigation actions are taken where required and risk appetite is reassessed and adjusted as needed.

(iii) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgments" were issued in February 2021 and are effective prospectively on or after January 1, 2023 with earlier application permitted. The amendments address the process of selecting accounting policy disclosures, which will be based on assessments of the materiality of the accounting policies to the entity's financial statements. Adoption of these amendments did not have a significant impact on the Company's Financial Statements.

(iv) Amendments to IAS 8 "Accounting Policies, Changes to Accounting Estimates and Errors"

Amendments to IAS 8 "Accounting Policies, Changes to Accounting Estimates and Errors" were issued in February 2021, and are effective prospectively on or after January 1, 2023, with earlier application permitted. The amendments include new definitions of estimate and change in accounting estimate, intended to help clarify the distinction among changes in accounting estimates, changes in accounting policies, and corrections of errors. Adoption of these amendments did not have a significant impact on the Company's Financial Statements.

(v) Amendments to IAS 12 "Income Taxes"

Amendments to IAS 12 "Income Taxes" were issued in May 2023. The amendments relate to the OECD's International Pillar Two tax reform, which seeks to establish a global minimum tax ("GMT") of fifteen per cent and address inter-jurisdictional base erosion and profit sharing, targeting larger international companies. Most jurisdictions have agreed to participate and effective dates for the GMT vary by jurisdiction based on local legislation.

The Amendments require that, effective for the year ended December 31, 2023, disclosure of current tax expense or recovery related to the GMT is required along with, to the extent that the GMT legislation is enacted or substantively enacted but not yet in effect, disclosure of known or reasonably estimable information that helps users of financial statements understand the Company's exposure to the GMT arising from legislation.

The Amendments introduce a temporary mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to the GMT. The Company has applied the mandatory temporary exception from accounting for deferred taxes in respect of the GMT.

4. Investments

(a) Invested assets

For the year ended December 31			2023		2022		Restated January 1 2022
	Term to maturity		Fair Value		Fair Value		Fair Value
Government bonds	<1 year	$	356,076	$	319,403	$	-
	1–5 years		104,593		92,769		11,484
	>5 years		129,112		84,987		146,607
			589,781		497,159		158,091
Corporate bonds	<1 year		21,539		993		3,043
	1–5 years		24,997		43,403		30,371
	>5 years		21,759		22,536		33,496
			68,295		66,932		66,910
Total		$	658,076	$	564,091	$	225,001

All assets are classified as FVOCI, therefore investments are measured at their fair values as at December 31, 2023.

(b) Investment income

Investment income is comprised as follows:

For the year ended December 31		2023		2022
Interest Income	$	12,906	$	6,203
Accretion of discount on invested assets		12,914		3,049
Impairment loss on financial assets		(34)		38
Net fair value gains on financial assets at fair value through profit or loss		(30)		(721)
Total investment income	$	25,756	$	8,569
Investment expenses		(519)		(295)
Net Investment income	$	25,237	$	8,274

5. Related Party Transactions

All related party transactions are on an arm's length basis on normal commercial terms and amounts due from and to related parties are unsecured, interest-free, and payable on demand.

(a) Balances due from related companies

For the year ended December 31		2023		2022
Manufacturers Life Reinsurance Limited	$	19	$	13
Manulife Data Services Inc.		59		37
Manulife Investment Management International Holdings Limited		2		2
Manufacturers Life Insurance Company (Barbados Branch)		1		1
Manufacturers Life Insurance Company		-		1
	$	81	$	54

(b) Balances due to related companies

For the year ended December 31		2023		2022
John Hancock Life Insurance Company (U.S.A.)	$	218	$	77
Manufacturers Life Insurance Company		67		84
Manulife Financial Corporation		1		4
	$	286	$	165

(c) Liquidity pool

The Company participates in a liquidity pool operated by Manulife Management Services Ltd. ("MMSL") as set forth in the terms of a Grid Note dated April 3, 2006. The maximum aggregate amount that the Company can invest into this liquidity pool is $500,000. Participation in the liquidity pool is evidenced by demand promissory notes issued by MMSL bearing interest at rates based on the one-month U.S. Treasury Bill rate of Secured Overnight Financing Rate ("SOFR") plus 3 basis points, resetting daily. The balance held in the liquidity pool was $18,904 (2022 - $5,982) and is included in cash and cash equivalents of $20,454 (2022 - $7,125). The interest earned was $2,195 (2022 - $1,004).

(d) General and administrative expenses

Included in Insurance service expenses are general and administrative expenses in the amount of $296 (2022 - $470), which represents amounts charged under agreements whereby certain administrative services are provided by related companies.

(e) Compensation of key management personnel

Key management personnel of the Company are those that have the authority and responsibility for planning, directing and controlling the activities of the Company. Directors (both executive and non-executive) and senior management are considered key personnel. Accordingly, the summary of compensation of key management personnel is as follows:

For the year ended December 31		2023		2022
Short-term employee benefits	$	2,364	$	1,684
Pension contribution		77		74
	$	2,441	$	1,758

6. Insurance contract liabilities

Analysis by Remaining Coverage and Incurred Claims

The following tables present the movement in the net assets or liabilities for insurance contracts issued, showing the amounts for remaining coverage and the amounts for incurred claims for the year ended December 31, 2023 and December 31, 2022.

	Liabilities for remaining coverage	Liabilities for incurred claims	
As of December 31, 2023 YTD (in USD thousands)	**Excluding loss component**	**Estimates of the present value of future cash flows**	**Total**
Opening Insurance contract liabilities	$ (74,695)	$ 364,260	$ 289,565
Insurance revenue			
Contracts under PAA	(116,025)	-	(116,025)
Insurance service expenses			
Incurred claims and other expenses	-	(68,394)	(68,394)
Amortization of insurance acquisition cash flows	9,872	-	9,872
Insurance service results	(106,153)	(68,394)	(174,547)
Effects of movements in exchange rates	33	-	33
Total changes in the statement of comprehensive income	(106,120)	(68,394)	(174,514)
Cash flows			
Premiums and premium tax received	195,945	-	195,945
Claims and other insurance expenses paid, including investment components	-	(104,980)	(104,980)
Insurance acquisition cash flows	(9,847)	-	(9,847)
Total cash flows	186,098	(104,980)	81,118
Net closing balance, December 31, 2023	$ 5,283	$ 190,886	$ 196,169

6. Insurance contract liabilities (continued)

Analysis by Remaining Coverage and Incurred Claims

The following tables present the movement in the net assets or liabilities for insurance contracts issued, showing the amounts for remaining coverage and the amounts for incurred claims for the year ended December 31, 2023 and December 31, 2022.

	Liabilities for remaining coverage	Liabilities for incurred claims	
As of December 31, 2022 YTD (in USD thousands)	**Excluding loss component**	**Estimates of the present value of future cash flows**	**Total**
Opening Insurance contract liabilities	$ (21,358)	$ 215,624	$ 194,266
Insurance revenue			
Contracts under PAA	(117,735)	-	(117,735)
Insurance service expenses			
Incurred claims and other expenses	-	195,145	195,145
Amortization of insurance acquisition cash flows	11,372	-	11,372
Insurance service results	(106,363)	195,145	88,782
Effects of movements in exchange rates	(329)	-	(329)
Total changes in the statement of comprehensive income	(106,692)	195,145	88,453
Cash flows			
Premiums and premium tax received	65,117	-	65,117
Claims and other insurance expenses paid, including investment components	-	(46,509)	(46,509)
Insurance acquisition cash flows	(11,762)	-	(11,762)
Total cash flows	53,355	(46,509)	6,846
Net closing balance, December 31, 2022	$ (74,695)	$ 364,260	$ 289,565

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting loss year at each reporting date, together with cumulative payments to date.

Gross Claims Development Triangle

Year		**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of loss year	$	33,241	8,598	1,917	151,518	189,738	
One year later		91,171	11,651	3,819	120,168	102,470	102,470
Two years later		25,782	3,864	6,361	85,974		85,974
Three years later		21,315	2,788	7,784			7,784
Four years later		14,634	2,649				2,649
Five years later		11,354					11,354
	$						210,231
Cumulative gross claims paid	$	(63,217)	(2,073)	(1,495)	(51,400)	(94,574)	(212,758)

The Company has elected to use the practical expedient for transition in IFRS 17.C28 to not disclose, previously unpublished information about its claims development that occurred earlier than five years, before the end of the annual reporting period in which it first applies IFRS 17.

The uncertainty about the amount and timing of all claims payments is typically resolved within one year.

As discussed in Note 7(d), the Company is exposed to losses arising from catastrophic events.

In addition, the Company continues to receive assessments of the reserve portfolio for contracts written in prior years, in conjunction with client advice and industry development analysis.

Due to the uncertainty of the overall and individual impact of the series of major losses to our contracts, the amounts reserved may ultimately be settled in total for amounts lesser or greater than the reserve established, and the difference may be material.

7. Risk Management

The Company employs an enterprise-wide approach to all risk taking and risk management activities. The Company's enterprise risk management framework sets out policies and standards of practice related to governance, identification and monitoring, measurement and control, and mitigation of key risks. Individual risk management strategies are in place for each specific key risk within the Company's broad risk categories: market and liquidity which includes market price and interest rate, credit, foreign currency, underwriting and operational and liquidity risks.

(a) Market price and interest rate risk

Due to the nature of the insurance business, invested assets and insurance liabilities as well as revenues and expenses are impacted by movements in capital markets, interest rates and credit spreads. Accordingly, the Company considers these risks together in managing its asset and liability positions and ensuring that risks are properly managed. These risks are referred to collectively as market price and interest rate risk – the risk of loss resulting from adverse movements in market price, interest rates and credit spreads.

The following table shows the potential impact on shareholder's equity of a change of one per cent in interest rates:

	1% change in interest rates	
As at December 31, 2023	+100bps	–100bps
Invested assets	$ (17,123)	$ 20,950
As at December 31, 2022		
Invested assets	$ (16,463)	$ 19,704

The Company is exposed to interest rate risk in the event of a mismatch between the cash flows from its assets and liabilities. Management has established policies and guidelines for the matching of assets and liabilities designed to keep this exposure within acceptable limits. The yields on the Corporate bonds range from 0.6 to 3.3 per cent (2022 – 0.6 per cent to 3.3 per cent) and on the Government bonds from 0.3 per cent to 3.9 per cent (2022 – 0.5 per cent to 2.3 per cent).

(b) Credit risk

The Company is exposed to credit risk from default on investments held in its asset portfolio. Management has established policies and guidelines for limiting exposure to credit risk by restricting concentration by issuer, rating, sector, and geographic region. At December 31, 2023, investment grade 'A' and higher bonds comprise 97 per cent (2022 – 97 per cent) of the portfolio. Government bonds represented 86 per cent (2022 – 87 per cent) of the bond portfolio graded 'A' and above. U.S. Treasury Bonds comprise 100 per cent (2022 – 100 per cent) of the Government bond portfolio. None of the issuers of bonds included in the portfolio has defaulted on interest or principal repayments.

As at December 31, 2023, 100% (2022 – 100%) of the Company's fixed income invested assets include bonds, which have cash-flows that qualify as SPPI and were investment grade-rated with ratings ranging between A to BBB.

Management believes that the credit risk relating to cash and cash equivalents, premium receivables, balances due from related companies and accrued investment income are mitigated by the close monitoring of these balances and by the high credit quality of the financial institutions and insurance companies with which the Company transacts business.

i. Credit quality

The following table presents financial instruments subject to credit exposure presenting separately Stage 1, Stage 2, and Stage 3 credit risk profiles. FVOCI financial instruments are shown at fair value with the allowance for credit losses shown separately.

As at December 31, 2023		Stage 1	Stage 2	Stage 3		Total
Debt securities						
Investment grade	$	428,867	-	-	$	428,867
Total		428,867	-	-		428,867
Allowance for credit losses recorded in AOCI	$	253	-	-	$	253

ii. Allowance for credit losses

The following table provides details on the allowance for credit losses by stage under IFRS 9.

		Stage 1	Stage 2	Stage 3		Total
Balance, beginning of year	$	219	-	-	$	219
Net Remeasurement due to transfers		-	-	-		-
Net originations, purchases and disposals		23	-	-		23
Repayments		-	-	-		-
Changes to risk, parameters, and models		11	-	-		11
Foreign exchange and other adjustments		-	-	-		-
Balance, end of year	$	253	-	-	$	253

(c) Foreign currency risk

The Company's strategy of matching the currency of its assets with the currency of the liabilities that these assets support results in minimal financial exposure related to foreign currency fluctuations. It is the Company's policy to invest no less than 60 per cent of assets backing its capital in U.S. dollar denominated assets. As a result, the Company is exposed to foreign currency fluctuations on the remaining balance, however, 100 per cent (2022 – 100 per cent) of the assets were denominated in U.S. dollars and therefore there was no impact on earnings from changes in foreign currency on assets during 2023 and 2022, respectively.

(d) Underwriting risk

The Company's business is providing property catastrophe retro-cession protection to clients. The Company, therefore, has a material overall exposure to natural hazards, such as earthquakes, hurricanes, tsunamis, winter storms, floods, fires, tornados and other natural disasters. The underwriting risk stems from the possibility that the severity of catastrophic events differ from those assumed when pricing the product. The Company manages its exposure to underwriting risk by adhering to conservative pricing, including peer review by MLI and maintaining clear underwriting guidelines and limits.

(e) Liquidity risk

Liquidity risk is the risk that sufficient funds are not available to meet both expected and unexpected cash and/or collateral demands in a timely and cost-effective manner. Under stressed conditions, unexpected cash demands could arise primarily from the notification of catastrophic losses by ceding companies.

The Company manages its exposure to liquidity risk by maintaining a sufficient proportion of its assets in highly liquid investments and investment grade marketable securities to support its operations and contingent liquidity demands. In addition, the Company sets guidelines on asset allocations, limit structures and maturity profiles of assets in order to ensure sufficient funding is available to meet insurance obligations. Financial liabilities are all due within one year of the statement of financial position.

8. Share Capital

Authorised share capital:

The Company is authorized to issue an unlimited number of common shares of no par value and cumulative redeemable preferred shares.

Share capital:

			2023			2022
	Number of common shares		Amount	Number of common shares		Amount
Balance, beginning of year	590,000,000	$	415,000	390,000,000	$	215,000
Issued during the year	-		-	200,000,000		200,000
Balance, end of year	590,000,000	$	415,000	590,000,000	$	415,000

The Company issued 174,325,000 and 25,675,000 additional common shares for cash of $174,325 and $25,675 to the existing shareholder on October 20, 2022, and November 29, 2022, respectively.

9. Taxation

The Company is a Class 2 Insurance Company under the Amended Insurance Act and is subject to tax at a rate of two per cent of taxable net income. The Barbados Income Tax Act states that 100% of net losses can be carried forward for 7 years but assessable income can only be reduced by 50% by utilizing the losses brought forward.

10. Net Change in Non-Cash Assets and Liabilities

For the year ended December 31	2023	2022
Net change in non-cash assets and liabilities consists of:		
Increase in accrued investment income	$ (1,402)	$ (793)
Increase in balance due from related companies	(27)	(23)
Decrease (increase) in other assets	23	(24)
(Decrease) increase in insurance contract liabilities	(93,396)	95,299
Increase in accounts payable and accrued liabilities	1,813	2,130
Increase in balance due to related companies	121	26
	$ (92,868)	$ 96,615

11. Contingencies

Pursuant to the terms of certain reinsurance contracts, certain third-party relationship banks have issued irrevocable letters of credit in the amount of $633 (2022 – $2,200) to reinsured parties on behalf of the Company. These letters of credit are intended to provide security to the reinsured parties in the event that the Company is unable to fulfill its obligations under the existing contracts. These letters of credit have no fixed expiration date and are cancellable at the discretion of the holder or upon the cancellation or commutation of the underlying contract. In order to improve capital management at MLI, MFC replaced the MLI Capital Maintenance Agreement with MFC guarantees to the bank. On February 10, 2022, the Company terminated the Capital Maintenance Agreement with The Manufacturers Life Insurance Company.

The Company normally records claims as and when notified by reinsured counterparties. In the ordinary course of business, it is the Company's policy to book reserves relating to such claims in the amount notified by the counterparty. However, from time to time, these claims may be disputed and become the subject of arbitration or other proceedings. In such circumstances, the amount settled may be more or less than the amount reserved, and the difference may be material. Management believes that all notified claims have been adequately reserved.

12. Fair Value of Financial Instruments

The following table presents the Company's assets and liabilities that are carried at fair value, by level under the fair value hierarchy:

As at December 31, 2023	Total Fair Value	Level 1	Level 2	Level 3
Assets:				
Bonds				
Fair value OCI	$ 658,076	$ -	$ 658,076	$ -
Total assets carried at fair value	$ 658,076	$ -	$ 658,076	$ -

As at December 31, 2022	Total Fair Value	Level 1	Level 2	Level 3
Assets:				
Bonds				
Fair value OCI	$ 564,091	$ -	$ 564,091	$ -
Total assets carried at fair value	$ 564.091	$ -	$ 564,091	$ -

Both the fair value and the basis for determining the fair value of investments are disclosed in Note 2 of these financial statements. There were no transfers between the levels during 2023 (2022 - none).

13. Stock-Based Compensation

MFC's Global Share Ownership Plan ("GSOP") allows qualifying employees to choose to apply up to five per cent of their annual base earnings toward the purchase of common shares. The Company matches a percentage of the employee's eligible contributions up to a maximum amount. All contributions are used to purchase common shares in the open market. The Company has made contributions in the amount of $8 (2022 - $7).

In addition to the GSOP, under MFC's Restricted Share Units Plan (the "RSU" plan), 2,015 (2022 – 1,918) of RSUs were granted to certain employees of the Company. The fair value of the RSUs granted during the year was $22.21 per unit, as at December 31, 2023 (2022 - $17.82 per unit). Each RSU entitles the holder to receive payment equal to the market value of one common share, plus credited dividends, at the time of vesting. RSUs granted in March 2023 will vest after 36 months from their grant date and the related compensation expense is recognized over these periods, unless the employee is eligible to retire at the time of grant or will be eligible to retire during the vesting period, in which case the cost is recognized at the grant date or over the period between the grant date and the date on which the employee is eligible to retire, respectively. Compensation expense related to RSUs was $42 for the year ended December 31, 2023 (2022 - $34).

14. Capital Management

The Company's policy is to maintain a strong capital base by routinely monitoring its capital adequacy from a Barbados solvency requirement and other insurance solvency standards where appropriate. The Company employs risk-based capital requirements, to ensure that the Company is able to absorb losses due to underpricing of the reinsurance product; to absorb an unexpected decline in the value of Company's assets; to provide a buffer for the potential undervaluation of the Company's unpaid claim liabilities and to provide a mechanism for financing the growth of the Company.

The Company is incorporated under the Barbados Companies Act CAP. 308 and operates under the provisions of the Insurance Act. Under the latter, the Company is required to comply with certain minimum capital and solvency criteria. The Company complied with all external regulatory requirements during the current and previous financial years.

15. Adoption of IFRS 17

IFRS 17 Transition

The Company is required to prepare an opening balance sheet as at January 1, 2022, the date of transition to IFRS 17, which forms the starting point for its financial reporting in accordance with IFRS 17. Any differences between the carrying value and the presentation of assets, liabilities and equity determined in accordance with IFRS 17, as at January 1, 2022, were recorded in opening retained earnings and accumulated other comprehensive income.

On the transition date, January 1, 2022, the Company:

- Identified, recognized, and measured each group of contracts as if IFRS 17 had always applied, unless it was impracticable (see Full Retrospective Approach and Fair Value Approach below);
- Identified, recognized, and measured assets for insurance acquisition cash flows as if IFRS 17 had always applied, unless it was impracticable. However, no recoverability assessment was performed before the transition date;
- Derecognized any balances that would not exist had IFRS 17 always applied; and
- Recognized any resulting net difference in equity.

Full Retrospective Approach

The Company has adopted IFRS 17 retrospectively and applied the full retrospective approach to contracts issued on or after January 1, 2021.

Reclassification of Financial Assets for the Comparative Period of IFRS 17 Adoption

Under the amendments to IFRS 17 with regard to the "Initial Application of IFRS 17 and IFRS 9 – Comparative Information" ("IFRS 17 amendments"), the Company has elected the option to reclassify financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, on an instrument-by-instrument basis, for the comparative period in alignment with the expected classification on initial application of IFRS 9 as at January 1, 2023. These reclassification changes also led the Company to present certain investment results previously reported in net investment income or OCI under IAS 39, within OCI or net investment income in alignment with the expected classifications of IFRS 9, respectively.

The Company has elected to apply the impairment requirements of IAS 39 (incurred losses) for the comparative period as provided for under IFRS 17. Accordingly, for assets that were classified as FVTPL under IAS 39, where no impairment was required, but were reclassified to FVOCI or amortized cost under IFRS 9 for the comparative period, the Company did not measure any impairment for the comparative period since IAS 39 impairment was not calculated.

16. Comparatives

Certain comparative amounts have been reclassified to conform to the current year's presentation.

As disclosed in Note 2 Accounting and Reporting Changes and Note 15 Adoption of IFRS 17, comparative amounts have been prepared and presented in accordance with IFRS 9 and IFRS 17.

www.manulife.com

For more information, contact:

Claudio Macchi
President & Chief Executive Officer
Manufacturers P&C Limited
The Goddard Building
Haggatt Hall
St. Michael, Barbados, West Indies
Tel: (246) 228-4910 Fax: (246) 228-4929

Manulife Financial Corporation is a leading international financial services provider, helping people make their decisions easier and lives better. With our global headquarters in Toronto, Canada, we provide financial advice and insurance, operating as Manulife across Canada, Asia, and Europe, and primarily as John Hancock in the United States. Through Manulife Investment Management, the global brand for our Global Wealth and Asset Management segment, we serve individuals, institutions and retirement plan members worldwide. At the end of 2023, we had more than 38,000 employees, over 98,000 agents, and thousands of distribution partners, serving over 35 million customers. We trade as 'MFC' on the Toronto, New York, and the Philippine stock exchanges, and under '945' in Hong Kong.

Manulife Re

MBPSCS01075EN FBB 05/24 AODA