Manufacturers P&C Limited

For your future™

Annual Report 2009

STRONG RELIABLE TRUSTWORTHY FORWARD-THINKING

AUDITORS' REPORT
TO THE SHAREHOLDER

MANUFACTURERS P&C LIMITED

We have audited the balance sheet of Manufacturers P&C Limited as at December 31, 2009 and the statements of operations, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young
Chartered Accountants
Barbados
February 26, 2010

MANUFACTURERS P&C LIMITED
BALANCE SHEET

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

ASSETS	2009	2008
Cash and cash equivalents (Note 7)	$ 88,817,175	$ 107,301,015
Investments (Note 5)	216,098,356	165,860,565
Premiums receivable	11,175,289	12,578,142
Accrued investment income	2,895,770	2,466,525
Capital assets, net of accumulated depreciation	286,170	190,545
Balance due from related companies (Note 7)	200,000	200,000
Other assets	99,936	182,844
	$ 319,572,696	$ 288,779,636
LIABILITIES		
Balances payable under reinsurance arrangements	$ 59,857,408	$ 64,560,203
Unearned premium reserve (Note 7)	10,220,192	16,673,454
Accounts payable and accrued liabilities	6,166,518	13,601,973
Balance due to related companies (Note 7)	-	53,365
	76,244,118	94,888,995
SHAREHOLDER'S EQUITY		
Share capital (Note 8)	100,000,000	100,000,000
Contributed surplus (Note 8)	20,000,000	20,000,000
Retained earnings	116,633,002	65,390,498
Accumulated other comprehensive income	6,695,576	8,500,143
	243,328,578	193,890,641
	$ 319,572,696	$ 288,779,636

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

Claudio Macchi
Chief Executive Officer

Stephen R. McArthur
Chairman of the Board of Directors

MANUFACTURERS P&C LIMITED
STATEMENT OF OPERATIONS

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

	2009	2008
Revenue		
Premiums assumed (Note 7)	$ 79,173,318	$ 68,747,575
Investment income (Note 5)	11,547,146	10,996,952
Unrealized foreign exchange gain	-	347,562
	90,720,464	80,092,089
Expenses		
Claims incurred	3,024,062	5,051,497
Commissions and brokerage (Note 7)	710,367	557,406
General and administrative expenses (Note 7)	3,669,871	4,868,206
Unrealized foreign exchange loss	73,660	-
	7,477,960	10,477,109
Net income for the year	$ 83,242,504	$ 69,614,980

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

MANUFACTURERS P&C LIMITED
STATEMENT OF CHANGES IN EQUITY

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

	2009	2008
Common shares		
Balance beginning and end of year	$ 100,000,000	$ 100,000,000
Contributed surplus		
Balance beginning and end of year	$ 20,000,000	$ 20,000,000
Retained earnings		
Balance, beginning of year	$ 65,390,498	$ 95,775,518
Net income	83,242,504	69,614,980
Common share dividends	(32,000,000)	(100,000,000)
Balance, end of year	$ 116,633,002	$ 65,390,498
Accumulated other comprehensive income		
Balance, beginning of year	$ 8,500,143	$ 4,036,169
Unrealized (losses) gains on investments during the year	(1,804,567)	4,463,974
Balance, end of year	$ 6,695,576	$ 8,500,143
Total equity	$ 243,328,578	$ 193,890,641

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

MANUFACTURERS P&C LIMITED
STATEMENT OF CASH FLOWS

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

	2009	2008
Cash flows from operating activities		
Net income for the year	$ 83,242,504	$ 69,614,980
Adjustment for:		
Amortization of capital assets	124,963	182,521
Unrealized foreign exchange loss (gain)	73,660	(347,562)
Amortization of premiums on bonds	527,505	186,678
(Gain) loss on sale of investments	(2,969,853)	139,628
Gain on sale of capital assets	(83,935)	(42,081)
Operating profit before net change in non-cash assets and liabilities	80,914,844	69,734,164
Net change in non-cash assets and liabilities (Note 10)	(17,588,361)	(10,032,039)
Net cash provided by operating activities	63,326,483	59,702,125
Cash flows from investing activities		
Net (purchase) sale of capital assets	(136,653)	35,810
Purchase of investments	(161,536,072)	(8,427,858)
Proceeds from the sale and maturity of investments	111,862,402	1,635,626
Net cash used in investing activities	(49,810,323)	(6,756,422)
Cash flows from financing activities		
Dividends paid	(32,000,000)	(100,000,000)
Net cash used in financing activities	(32,000,000)	(100,000,000)
Net decrease in cash and cash equivalents	(18,483,840)	(47,054,297)
Cash and cash equivalents, beginning of year	107,301,015	154,355,312
Cash and cash equivalents, end of year	$ 88,817,175	$ 107,301,015

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

MANUFACTURERS P&C LIMITED
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009
(Expressed in U.S. Dollars)

1. Nature of Operations

Manufacturers P&C Limited (the "Company") was incorporated under the Laws of Bermuda on June 26, 1986. It filed Articles of Continuance under the Laws of Barbados on January 1, 1996. It 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 stock insurance company incorporated in Canada.

The Company reinsures certain property and casualty insurance risks.

2. Significant Accounting Policies

The Company has prepared these financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") since these are the accounting principles followed by its ultimate parent company, MFC.

(a) Basis of preparation

The financial statements are prepared under historical cost convention, modified by the revaluation of certain investments. No account is taken of the effects of inflation.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, assets held in liquidity pools and short-term deposits, which have an original term to maturity of three months or less from the balance sheet date.

(c) Premiums

Premiums are reflected in income evenly over the terms of the reinsurance contracts. Unearned premiums represent net premiums that relate to the unexpired portion of the contract.

(d) Balances payable under reinsurance arrangements

The Company makes a provision for claims incurred but not reported; for the development of reported claims and for claims 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 claims and related claims expenses is based on expected trends in claim severity and frequency and other factors that may vary as claims are settled, and will take into account any loss mitigation penalty that is contractually due to the Company upon cancellation by a cedant following a loss. Ultimate claims may differ from the amounts recorded in the financial statements. Changes in the amount of balances payable under reinsurance arrangements are recorded in income as part of claims incurred.

(e) Investments

Bonds are designated as available-for-sale and are carried at fair value. Unrealized gains and losses on available-for-sale bonds are recorded in other comprehensive income. Realized gains and losses on sale of bonds are recognized in income immediately. Impairment losses are recognized in income on available-for-sale bonds on an individual security basis when the bond is considered to be other than temporarily impaired. Impairment occurs when it is deemed probable that the Company will not be able to collect all amounts due according to contractual terms of the bond.

Investment income is recorded on an accrual basis. Amortizations and premiums arising on acquisition of investments are recorded in the statement of operations. Gains or losses on the sale of investments are fully recognized in the year of realization.

(f) Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated to United States dollars at the rates of exchange in effect at the balance sheet date. Revenue and expenses are translated at the average rates of exchange prevailing during the year. Gains and losses arising from foreign currency translation are included in income, except for those arising on translation of available-for-sale investments, which are included in other comprehensive income.

3. Changes in Accounting Policies

(a) Financial instruments

In June 2009, amendments were incorporated into Section 3862 "Financial Instruments – Disclosures" to conform with changes made to International Financial Reporting Standards ("IFRS"). These amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used for valuation. In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The amendments are applicable for these annual financial statements and the new required disclosures are included in Notes 5, 6 and 13.

In August 2009, the Canadian Institute of Chartered Accountants ("CICA") issued amended Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3025 "Impaired Loans" to reduce differences with IFRS. The amendments remove the distinction between debt securities and other debt instruments for purposes of categorization, allowing debt securities not quoted in an active market to be categorized as loans and receivables and measured at amortized cost. These amendments were effective for the Company on January 1, 2009 but they did not have any impact on the Company's financial statements.

(b) Goodwill and intangible assets

Effective January 1, 2009, the Company adopted the CICA Handbook Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062 "Goodwill and Other Intangible Assets". Section 3064 provides guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets, including internally generated intangible assets. Requirements concerning goodwill are unchanged from the previous Section 3062. The adoption of Section 3064 did not have any material impact on the Company's financial statements.

4. Future Accounting and Reporting Changes

(a) Transition to International Financial Reporting Standards ("IFRS")

On February 13, 2008 the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises in Canada will be required to adopt IFRS as a replacement of Canadian GAAP for periods beginning on or after January 1, 2011. As a subsidiary of a publicly accountable enterprise in Canada, the Company will adopt IFRS in its annual reports starting with 2011 and will provide corresponding comparative financial information for 2010.

The Company is currently assessing the first time adoption and transitional options under IFRS. No IFRS accounting policy decisions or elections have been finalized to date.

5. Investments

(a) Invested Assets

For the year ended December 31	Term to Maturity		2009 Carrying Value		2008 Carrying Value
Government bonds	<1 year	$	16,849,331	$	820,864
	1-5 years		24,673,141		121,717,839
	> 5 years		36,201,201		12,254,302
			77,723,673		134,793,005
Corporate bonds	<1 year		795,975		-
	1-5 years		56,185,668		15,876,864
	> 5 years		81,393,040		15,190,696
			138,374,683		31,067,560
Total		$	216,098,356	$	165,860,565

Since all securities are classified as available-for-sale, investments are carried at their fair values as at December 31, 2009. Fair values for bonds are determined with reference to quoted bid prices where available. When such prices are not available, fair values are determined using techniques which include security-specific interest rates and discounted cash flows based on observable market data.

(b) Investment income

Investment income is comprised as follows:

For the year ended December 31		2009		2008
Interest income	$	9,104,798	$	11,323,258
Amortization of premiums on bonds		(527,505)		(186,678)
Gain (loss) on sale of investments		2,969,853		(139,628)
	$	11,547,146	$	10,996,952

6. Risk Management

The Company employs an enterprise-wide approach to all risk taking and risk management activities globally. 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: strategic, market and liquidity (includes market price, interest rate, foreign currency and liquidity risks), credit, insurance and operational.

(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 economic value of specific stress scenarios, each one reflecting a shock from the market levels as at December 31, 2009, that reflects a confidence level of approximately 87 per cent over a one-year horizon, according to the Company's internal models. The stress scenarios are:

- an immediate and permanent increase of one per cent in interest rates for all maturities across all markets,
- an immediate and permanent decrease of one per cent in interest rates for all maturities across all markets, subject to a minimum interest rate of 0.25 per cent.

	1 per cent change in interest rates	
As at December 31, 2009	Increase	Decrease
Impact on shareholder's equity account	$ (5,906,921)	$ 6,290,144
As at December 31, 2008		
Impact on shareholder's equity account	$ (2,618,364)	$ 2,737,058

The Company is exposed to interest rate risk in the event of a mismatch between the cash flows from the 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 yield on the Corporate bonds ranges from 1.8 per cent to 9.8 per cent (2008 – 3.8 per cent to 10.4 per cent) and on the Government bonds from 2.6 per cent to 5.0 per cent (2008 – 3.5 per cent to 5.0 per cent).

(b) Credit risk

The Company is exposed to credit risk from default of 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. As at December 31, 2009, 72 per cent of bonds (2008 – 95 per cent) were rated at investment grade 'A' and higher. Government bonds represented 50 per cent (2008 – 86 per cent) of the bond portfolio graded 'A' and above. U.S. Treasury Bonds comprise 94 per cent (2008 – 96 per cent) of the Government bond portfolio. None of the issuers of bonds included in the portfolio has defaulted in interest or principal repayments.

Management believes that the credit risk relating to short-term financial assets and liabilities is mitigated by the close monitoring of these balances and by the quality of the financial institutions and insurance companies with whom the Company transacts business.

(c) Foreign currency risk

The Company's strategy of matching the currency of its assets with the currency of the liabilities that they 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 and surplus in U.S. dollars-denominated assets. As a result, the Company is exposed to foreign currency fluctuations on the remaining balance. As at December 31, 2009, 100 per cent (2008 – 99 percent) of the assets were denominated in U.S. dollars; as a result, changes in foreign currency will not have a significant impact on earnings.

(d) Underwriting risk

The largest part of the Company's business is providing property catastrophe retrocession protection to clients. The Company, therefore, has a large 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 frequency and severity of catastrophe events differ from those assumed when pricing the product. On certain other contracts underwriting risk represents the risk resulting from: the possibility that cash flows deviate from expectation; the risk of loss resulting from errors in calculation of premium due to incorrect assumptions or mistakes in the calculation methods; and risk of loss from errors in calculation of reserves. The Company manages its exposure to underwriting risk by adhering to conservative pricing and reserving methodology, including peer review by MLI and maintaining clear underwriting guidelines and limits.

(e) Liquidity risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. 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. 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.

7. Related Party Transactions

(a) Balance due from related companies:

The balance due from related companies represents a non-interest bearing demand loan from MHBL which is repayable at any time and is denominated in U.S. dollars. The carrying value is the same as the fair value.

(b) Balance due to related companies:

The balances payable to related companies in 2008 represented amounts due for services provided by John Hancock Life Insurance Company and MLI of $52,915 and $450 respectively. The balances were settled in 2009.

(c)

The Company has entered into a third party reinsurance contract whereby it has assumed a portion of a Directors' and Officers' insurance policy that was issued to John Hancock Financial Services Inc. ("JHF"). JHF, as it was known at that time, was acquired by MFC on April 28, 2004 and the merger agreement provided that JHF Directors' and Officers' liability insurance would remain in effect for a period of six years. The Company received premiums in the amount of $34,884,000 in 2004, of which $1,731,192 was unearned at December 31, 2009 (2008 - $7,086,162). MFC has provided a guarantee to the reinsured for this exposure.

(d)

The Company participates in a liquidity pool of an affiliate, 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 $500,000,000. The Company can improve the investment return on their excess cash through participation in this liquidity pool. As at December 31, 2009 the balance in the liquidity pool was $88,015,636 (2008 - $104,384,970) and is included in the cash and cash equivalents. The yield on the liquidity pool was 0.03 per cent (2008 – 3.2 per cent).

(e)

During 2008 the Company entered into a novation agreement with Manulife Europe Rückversicherungs-Aktiengesellschaft ("MERA") in which the Company assumed liabilities of $37,000 in respect of certain reinsurance contracts and received a cash consideration of the same amount. These contracts are in run-off. MERA was liquidated in December 2008.

(f)

Included in general and administrative expenses is an amount of $702,400 (2008 - $842,404), which represents amounts charged under agreements whereby certain administrative services are provided by affiliated companies.

8. Share Capital and Contributed Surplus

(a) Share capital:

The authorised capital of the Company consists of an unlimited number of common shares and cumulative redeemable preferred shares. The Company has issued 100,000,000 common shares.

(b) Contributed surplus:

The Directors of the Company may agree to return any part of the surplus contribution of MHBL to the shareholder if they determine that the shareholder's equity is in excess of the Company's needs.

9. Taxation

Under the provisions of the Exempt Insurance Act of Barbados, the Company is liable to tax at zero per cent for the first 15 years of its operations.

10. Net Change in Non-Cash Assets and Liabilities

For the year ended December 31		2009		2008
Net change in non-cash assets and liabilities consists of:				
Decrease (increase) in premium receivable	$	1,402,853	$	(885,707)
Increase in accrued investment income		(429,245)		(81,104)
Decrease in balance due from related companies		-		2,021,571
Decrease (increase) in other assets		82,908		(13,040)
Decrease in balances payable under reinsurance arrangements		(4,702,795)		(7,797,487)
Decrease in unearned premiums reserve		(6,453,262)		(7,639,850)
(Decrease) increase in accounts payable and accrued liabilities		(7,435,455)		4,541,041
Decrease in balance to related companies		(53,365)		(177,463)
	$	(17,588,361)	$	(10,032,039)
Interest received during the year	$	8,675,553	$	11,242,154
Interest paid during the year	$	-	$	(60)

11. Contingencies

Pursuant to the terms of certain reinsurance contracts, the Company has issued irrevocable letters of credit in the amount of $31,745,739 (2008 – $32,170,806). These letters of credit are intended to provide security to the insured parties in the event that the Company is unable to fulfill its obligations under these 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.

The Company normally records claims as and when notified by reinsured counter parties. 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 counter party. 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.

Government and regulatory bodies in Canada and Barbados may make inquiries and, from time to time, require the production of information or conduct examinations concerning the Company's compliance with, among other things, insurance laws, securities laws, and laws governing the activities of broker-dealers.

12. 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 standards where appropriate. The Company employs risk-based capital requirements, such as those developed by modern statistical modeling techniques, 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 the 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 and operates under the provisions of the Exempt Insurance Act of Barbados, 1983. Under these Acts the Company is required to comply with certain minimum capital and solvency criteria. The Company was in compliance with all external regulatory requirements during the current and previous financial years.

13. Fair Value of Financial Instruments

Financial instruments refer to both on-and-off balance sheet instruments and may be assets or liabilities. These assets or liabilities are contracts that ultimately give rise to a right for one party to receive an asset and an obligation for another party to deliver an asset. Fair values reflect management's best estimates of the amounts at which instruments could be exchanged in a current transaction between willing parties and are generally calculated based on the characteristics of the instrument and the current economic and competitive environment.

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:

(a) Short-term financial assets and liabilities

The 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 and cash equivalents, other assets, premiums receivable, accrued investment income and amounts due from related companies. Short-term financial liabilities comprise accounts payable and accrued liabilities and amounts due to related companies.

(b) Investments

In accordance with Section 3862, 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. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

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. Also, included in the Level 2 category are derivative instruments that are priced using models with observable market inputs, including interest rate swaps, equity swaps, and foreign currency forward contracts.

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 such as structured asset-backed securities, commercial mortgage-backed securities ("CMBS"), and other securities that have little or no price transparency. Embedded and complex derivative financial instruments are also included in Level 3.

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.

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, 2009:

As at December 31, 2009

	Total Fair Value	Level 1	Level 2	Level 3*
Bonds - available-for-sale	$216,098,356	–	$213,186,550	$2,911,806

Both the fair value and the basis for determining the fair value of investments are disclosed in Note 5 of these financial statements.

* Assets and liabilities measured at fair value on the balance sheet using significant unobservable inputs (Level 3)

The table below provides a fair value roll-forward for the twelve months ending December 31, 2009 for the financial instruments for which significant unobservable inputs (Level 3) are used in the fair value measurement. The Company classifies the fair values of financial instruments within Level 3 if there are no observable markets for the instruments or, in the absence of active markets, the majority of the inputs used to determine fair value are based on the Company's own assumptions about market participant assumptions. The Company prioritizes the use of market-based inputs over entity-based assumptions in determining Level 3 fair values and therefore, the gains and losses in the table below include changes in fair value due partly to observable and unobservable factors.

Roll-forward of financial instruments measured at fair value using significant unobservable inputs (Level 3) for the twelve months from January 1, 2009 to December 31, 2009:

Bonds – available-for-sale		
Balance as at January 1, 2009	$	1,002,106
Other comprehensive income [1]		120,765
Purchases		1,788,935
Balance as at December 31, 2009	$	2,911,806

(1) This amount is included in accumulated other comprehensive income on the Statement of Changes in Equity.

For More Information Contact:

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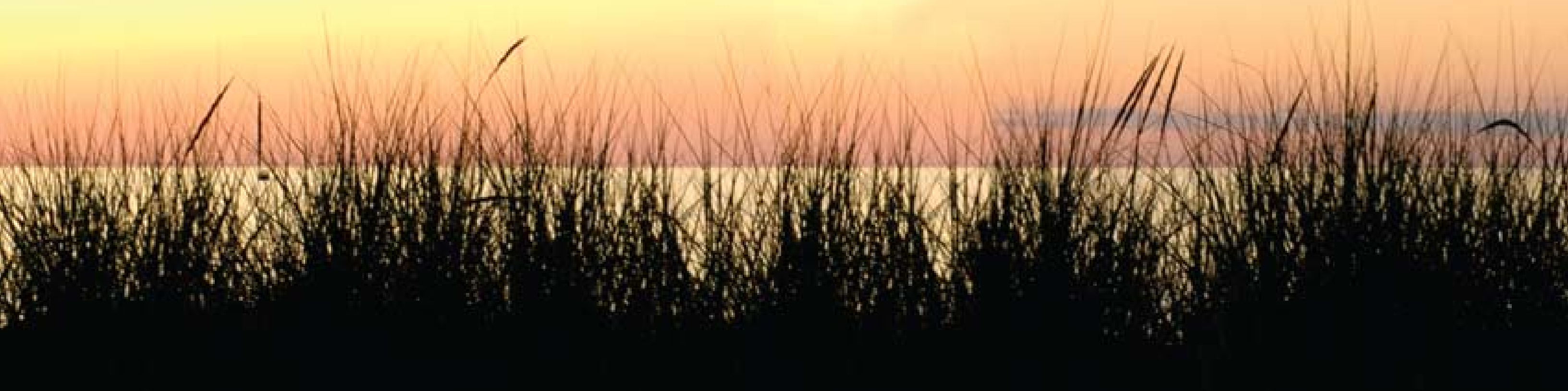
Manulife Financial is a leading Canadian-based financial services group serving millions of customers in 22 countries and territories worldwide. Operating as Manulife Financial in Canada and Asia, and primarily through John Hancock in the United States, the Company offers clients a diverse range of financial protection products and wealth management services through its extensive network of employees, agents and distribution partners. Funds under management by Manulife Financial and its subsidiaries were Cdn$446 billion (US$440 billion) as at March 31, 2010.

Manulife Financial Corporation trades as 'MFC' on the TSX, NYSE and PSE, and under '945' on the SEHK. Manulife Financial can be found on the Internet at www.manulife.com.



Manufacturers P&C Limited

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