



2024 Annual Report

Manufacturers P&C Limited

Financial statements
for the year ended December 31, 2024
(Expressed in thousands of US 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 financial statements of Manufacturers P&C Limited ("the Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of income, the 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 the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 IFRS Accounting Standards, 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.

Independent Auditor's Report

To the shareholder of Manufacturers P&C Limited

Report on the audit of the financial statements (cont'd)

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
15 April 2025

Manufacturers P&C Limited

Statement of Financial Position

As at December 31

(Expressed in thousands of U.S. Dollars)

	December 31, 2024	December 31, 2023
Assets		
Cash and short-term securities (Note 5)	\$ 146,079	\$ 20,454
Invested assets (Note 4)	386,149	658,076
Accrued investment income	4,007	3,674
Capital assets, net of accumulated depreciation	605	741
Deferred tax asset (Note 9)	8	325
Other assets	245	240
Balance due from related companies (Note 5)	169	81
	\$ 537,262	\$ 683,591
Liabilities		
Insurance contract liabilities (Note 6)	\$ 130,954	\$ 196,169
Accounts payable and accrued liabilities	4,663	4,081
Deferred tax liability (Note 9)	8	-
Income tax payable (Note 9)	7,789	-
Balance due to related companies (Note 5)	\$ 346	\$ 286
	143,760	200,536
Equity		
Share capital (Note 8)	\$ 200,000	\$ 415,000
Retained earnings	246,743	109,600
Accumulated other comprehensive loss	(53,241)	(41,545)
	\$ 393,502	\$ 483,055
	\$ 537,262	\$ 683,591

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



Claudio Macchi
Director



Marc Costantini
Director

Manufacturers P&C Limited

Statement of Income

For the year ended December 31

(Expressed in thousands of U.S. Dollars)

	December 31, 2024		December 31, 2023	
Insurance service results				
Insurance service revenue	\$	98,061	\$	116,025
Insurance service expenses (Note 6)		25,447		58,522
Total insurance service results	\$	123,508	\$	174,547
Investment results				
Investment income (Note 4)	\$	23,648	\$	25,756
Investment expenses		(436)		(519)
Net investment income	\$	23,212		25,237
Realized and unrealized gains (losses) from insurance results		246		(169)
Total investment results	\$	23,458	\$	25,068
Other revenue				
		42		37
Interest expense				
		(17)		(10)
Net income before income taxes	\$	146,991	\$	199,642
Income tax expenses (Note 9)				
		(9,958)		(1,999)
Net income after tax	\$	137,033	\$	197,643

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

Manufacturers P&C Limited

Statement of Comprehensive Income

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

	December 31, 2024		December 31, 2023	
Net income	\$	137,033	\$	197,643
Other comprehensive income:				
Unrealized (losses) gains on investments		(11,696)		1,128
Total comprehensive income	\$	125,337	\$	198,771

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)

	December 31, 2024	December 31, 2023
Common shares		
Balance beginning of year	\$ 415,000	\$ 415,000
Capital reduction (Note 8)	(215,000)	-
Balance end of year	\$ 200,000	\$ 415,000
Retained earning		
Balance, beginning of year	\$ 109,600	\$ (88,043)
Adjustment for IFRS 9	110	-
Net income	\$ 137,033	197,643
Balance, end of year	\$ 246,743	\$ 109,600
Accumulated other comprehensive loss		
Balance, beginning of year	\$ (41,545)	\$ (42,673)
Other comprehensive (loss) income	(11,696)	1,128
Balance, end of year	\$ (53,241)	\$ (41,545)
Total equity	\$ 393,502	\$ 483,055

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)

	2024		2023	
Operating activities				
Net income before taxation	\$	146,991	\$	199,642
Adjustment for non-cash items:				
Depreciation of capital assets		78		137
Depreciation right of use asset		112		112
Unrealized (gains) losses on investments		(51)		34
Realized (losses) gains on investments (Note 4)		(7)		30
Net realized foreign exchange losses		226		617
Net amortization of discount on bonds (Note 4)		(8,616)		(12,914)
Gain on sale of capital assets		(20)		(60)
Net income adjusted for non-cash items		138,713		187,598
Net change in non-cash assets and liabilities (Note 10)		(64,999)		(92,868)
Lease interest paid		(17)		(10)
Net cash provided by operating activities	\$	73,697	\$	94,720
Investing activities				
Net change in capital assets	\$	(34)	\$	(670)
Purchase of investments		(229,491)		(562,224)
Proceeds from the sale and maturity of investments	\$	496,575		481,634
Net cash from (used in) investing activities	\$	267,050	\$	(81,260)
Financing activities				
Lease payments	\$	(122)	\$	(131)
Capital reduction		(215,000)		-
Net cash used in financing activities	\$	(215,122)	\$	(131)
Cash and short-term securities				
Net increase during the year	\$	125,625	\$	13,329
Balance, beginning of year		20,454		7,125
Balance, end of year	\$	146,079	\$	20,454
Supplemental disclosures on cash flow information:				
Interest received	\$	14,640	\$	11,504

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

Manufacturers P&C Limited

Notes to the financial statements

December 31, 2024

(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, 2024 were authorized for issue in accordance with a resolution of the directors on March 21, 2025.

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 Accounting Standards 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 short-term securities

Cash and short-term securities 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 amortised cost. The Company determines the classification of its financial assets at initial recognition.

The classification of invested assets which are financial instruments depends on their contractual terms and the Company’s business model for managing the assets.

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 judgement 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.

Realized gains and losses on disposal of FVOCI investments, amortization of premiums or discounts arising on the acquisition of investments 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, premiums receivable, 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:

- 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.
- 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.
- 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

The expected credit loss ("ECL") impairment allowance model applies to invested assets which are debt instruments and measured at FVOCI or amortized cost. ECL allowances are measured under four probability-weighted macroeconomic scenarios, which measure the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate ("EIR"). This process includes consideration of past events, current market conditions and reasonable supportable information about future economic conditions. Forward-looking macroeconomic variables used within the estimation models represent variables that are the most closely related with credit losses in the relevant portfolio.

The estimation and measurement of impairment losses requires significant judgement. These estimates are driven by many elements, changes in which can result in different levels of allowances. Elements include the estimation of the amount and timing of future cash flows, the Company's criteria for assessing if there has been a significant increase in credit risk ("SICR"), the selection of forward-looking macroeconomic scenarios and their probability weights, the application of expert credit judgment in the development of the models, inputs, and, when applicable, overlay adjustments. It is the Company's practice to

regularly review its models in the context of actual loss experience and adjust when necessary. The Company has implemented formal policies, procedures, and controls over all significant impairment processes.

The Company's definitions of default and credit-impaired are based on quantitative and qualitative factors. A financial instrument is considered to be in default when significant payments of interest, principal or fees are past due for more than 90 days, unless remedial arrangements with the issuer are in place. A financial instrument may be credit impaired as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument. This includes events that indicate or include: significant financial difficulty of the counterparty; a breach of contract; for economic or contractual reasons relating to the counterparty's financial difficulty, concessions are granted that would not otherwise be considered; it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of the counterparty's financial difficulties; or the counterparty is considered to be in default by any of the major rating agencies such as S&P, Moody's, and Fitch.

The ECL calculations include the following elements:

- Probability of default ("PD") is an estimate of the likelihood of default over a given time horizon.
- Loss given default ("LGD") is an estimate of the loss arising on a future default. This is based on the difference between the contractual cash flows due and those that the Company expects to receive, including from collateral. It is based on credit default studies performed based on internal credit experience.
- Exposure at default ("EAD"), is an estimate of the exposure at a future default date, considering both the period of exposure and the amount of exposure at a given reporting date. The EADs are determined by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple economic scenarios. The probabilities are then assigned to each economic scenario based on the outcome of the models.

The Company measures ECLs using a three-stage approach:

- Stage 1 comprise all performing financial instruments that have not experienced a SICR since initial recognition. The determination of SICR varies by instrument and considers the relative change in the risk of default since origination. 12-month ECLs are recognized for all Stage 1 financial instruments. 12-month ECLs represent the portion of lifetime ECLs that result from default events possible within 12 months of the reporting date. These expected 12-month default probabilities are applied to a forecast EAD, multiplied by the expected LGD, and discounted by the original EIR. This calculation is made for each of four macroeconomic scenarios.

- Stage 2 comprise all performing financial instruments that have experienced a SICR since original recognition or have become 30 days in arrears for principal or interest payments, whichever happens first. When assets move to Stage 2, full lifetime ECLs are recognized, which represent ECLs that result from all possible default events over the remaining lifetime of the financial instrument. The mechanics are consistent with Stage 1, except PDs and LGDs are estimated over the remaining lifetime of the instrument instead of over the coming year. In subsequent reporting periods, if the credit risk of a financial instrument improves such that there is no longer a SICR compared to credit risk at initial recognition, the financial instrument will migrate back to Stage 1 and 12-month ECLs will be recognized.
- Stage 3 comprise financial instruments identified as credit impaired. Similar to Stage 2 assets, full lifetime ECLs are recognized for Stage 3 financial instruments, but the PD is set at 100%. A Stage 3 ECL is calculated using the unpaid principal balance multiplied by LGD which reflects the difference between the asset's carrying amount and its discounted expected future cash flows.

Interest income is calculated based on the gross carrying amount for both Stage 1 and 2 exposures. Interest income on Stage 3 financial instruments is determined by applying the EIR to the amortized cost of the instrument, which represents the gross carrying amount adjusted for the credit loss allowance.

For Stage 1 and Stage 2 exposures, an ECL is generated for each individual exposure; however, the relevant parameters are modelled on a collective basis with all collective parameters captured by the individual security level. The exposures are grouped into smaller homogeneous portfolios, based on a combination of internal and external characteristics, such as origination details, balance history, sector, geographic location, and credit history. Stage 3 ECLs are either individually or collectively assessed, depending on the nature of the instrument and impairment.

In assessing whether credit risk has increased significantly, the risk of default occurring is compared over the remaining expected life from the reporting date and as at the date of initial recognition. The assessment varies by instrument and risk segment. The assessment incorporates internal credit risk ratings and a combination of security-specific and portfolio-level assessments, including the incorporation of forward-looking macroeconomic data. The assessment of SICR considers both absolute and relative thresholds. If contractual payments are more than 30 days past due, the credit risk is automatically deemed to have increased significantly since initial recognition.

When estimating ECLs, the four probability-weighted macroeconomic scenarios are considered. Economic forward-looking inputs vary by

market. Depending on their usage in the models, macroeconomic inputs are projected at the country, province, or more granular level. Each macroeconomic scenario used includes a projection of all relevant macroeconomic variables for a five-year period, subsequently reverting to long-run averages. In order to achieve an unbiased estimate, economic data used in the models is supplied by an external source. This information is compared to other publicly available forecasts, and the scenarios are assigned a probability weighting based on statistical analysis and management judgment. Refer to Note 7 (b).

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. Changes in the required ECL allowance are recorded in the provision for credit losses within investment income in the Statements of Income. Invested assets are written off, either partially or in full, against the related allowance for credit losses when there is no realistic prospect of recovery in respect of those amounts. This is considered a partial or full derecognition of the financial asset. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses.

(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 fulfilment 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 fulfilment 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 \$391 (2023-\$502) and is included with the capital assets and the lease liability \$402 (2023 - \$507) 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, deferred income taxes, and global minimum tax ("GMT"). 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) Future accounting and reporting changes

(i) Annual Improvements to IFRS Accounting Standards – Volume 11

Annual Improvements to IFRS Accounting Standards – Volume 11 was issued in July 2024 and is effective on or after January 1, 2026.

The IASB issued eight minor amendments to different standards as part of the Annual Improvements process, to be applied retrospectively except for amendments to IFRS 1 “First-Time Adoption of International Financial Reporting Standards” for first time adopters and to IFRS 9 “Financial Instruments” (“IFRS 9”) for derecognition of lease liabilities. Adoption of these amendments is not expected to have a significant impact on the Company’s financial statements.

(ii) Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” (“IFRS 7”)) were issued in May 2024 to be effective for years beginning on January 2026 and to be applied retrospectively. The amendments clarify guidance on timing of derecognition of financial liabilities, on the assessment of cash flow characteristics and resulting classification and disclosure of financial assets with terms referencing contingent events including environmental, social and corporate governance events, and of the treatment of non-recourse assets and contractually linked instruments. The Company is assessing the impact of these amendments on the Company’s financial statements.

(iii) IFRS 18 “Presentation and Disclosure in the Financial Statements”

IFRS 18 “Presentation and Disclosure in Financial Statements” (“IFRS 18”) was issued in April 2024 to be effective for years beginning on January 1, 2027 and to be applied retrospectively. The standard replaces IAS 1 “Presentation of Financial Statements” (“IAS 1”) while carrying forward many elements of IAS 1 unchanged. IFRS 18 introduces three sets of new requirements for presentation of financial statements and disclosures within financial statements:

- Introduction of five defined categories of income and expenses: operating, investing, financing, income taxes and discontinued operations, with defined subtotals and totals for “operating income (loss)”, “income or loss before financing and income taxes” and “income (loss)”,
- disclosure within a note to financial statements of management-defined performance measures (“MPMs”) with a reconciliation between MPMs and IFRS performance measures. MPMs are defined as subtotals of income and expenses not specified by IFRS Accounting Standards, which are used in public communications outside financial statements to communicate management’s view of the Company’s financial performance, and
- enhanced guidance on organizing information and determining whether to provide the information in the financial statements or in the notes. IFRS 18 also requires enhanced disclosure of operating expenses based on their characteristics, including their nature, function, or both.

The Company is assessing the impact of this standard on the Company’s financial statements.

(iv) Amendments to IAS 12 “Income Taxes”

Amendments to IAS 12 “Income Taxes” (“IAS 12”) were issued in May 2023. The amendments relate to the Organization for Economic Co-operation and Development’s International Pillar Two tax reform, which seeks to establish a global minimum income tax rate of 15% and addresses inter-jurisdictional base erosion and profit shifting, targeting larger international companies. Most jurisdictions have agreed to participate and effective dates for global minimum taxes (“GMT”) vary by jurisdiction based on local legislation.

The amendments require that, effective for years beginning on or after January 1, 2023, disclosure of current tax expense or recovery related to GMT is required along with, to the extent that 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 GMT arising from that legislation. The amendments introduce a temporary mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to GMT. The Company has applied the temporary exception from accounting for deferred taxes in respect of GMT.

On June 20, 2024, Canada enacted the *Global Minimum Tax Act*, retrospective to fiscal periods commencing on or after December 31, 2023. Barbados passed legislation on May 28, 2024, introducing a qualifying minimum domestic top-up tax (“QDMTT”) retrospective to January 1, 2024. As such, any GMT arising from the Company’s operations in Barbados will be payable in Barbados.

Manufacturers P&C Limited

Notes to the Financial Statements

For the year ended December 31

(Expressed in thousands of U.S. Dollars)

4. Investments

(a) Invested assets

For the year ended December 31		2024		2023	
	Term to maturity		Fair value		Fair value
Government bonds	<1 year	\$	157,431	\$	356,076
	1–5 years		-		104,593
	>5 years		172,296		129,112
			329,727		589,781
Corporate bonds	<1 year		-		21,539
	1–5 years		43,645		24,997
	>5 years		12,777		21,759
			56,422		68,295
Total		\$	386,149	\$	658,076

All assets are classified as FVOCI, therefore investments are measured at their fair values as at December 31, 2024.

(b) Investment income

Investment income is comprised as follows:

For the year ended December 31		2024		2023	
Interest income	\$	14,974	\$	12,906	
Accretion of discount on invested assets		8,616		12,914	
Impairment gains (losses) on financial assets		51		(34)	
Net fair value gains (losses) on financial assets at fair value through profit or loss		7		(30)	
Total investment income	\$	23,648	\$	25,756	
Investment expenses		(436)		(519)	
Net investment income	\$	23,212	\$	25,237	

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	2024	2023
Manufacturers Life Reinsurance Limited	\$ 35	\$ 19
Manulife Data Services Inc.	128	59
Manulife Investment Management International Holdings Limited	1	2
Manufacturers Life Insurance Company (Barbados Branch)	4	1
Manufacturers Life Insurance Company	1	-
	\$ 169	\$ 81

(b) Balances due to related companies

For the year ended December 31	2024	2023
John Hancock Life Insurance Company (U.S.A)	\$ 240	\$ 218
Manufacturers Life Insurance Company	105	67
Manulife Financial Corporation	1	1
	\$ 346	\$ 286

(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 \$73,972 (2023 - \$18,904) and is included in cash and short-term securities of \$146,079 (2023 - \$20,454). The interest earned was \$2,928 (2023 - \$2,195).

(d) General and administrative expenses

Included in insurance service expenses are general and administrative expenses in the amount of \$359 (2023 - \$296), 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	2024	2023
Short-term employee benefits	\$ 2,498	\$ 2,364
Pension contribution	79	77
	\$ 2,577	\$ 2,441

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 amount for remaining coverage and the amounts for incurred claims for the year ended December 31, 2024, and December 31, 2023.

As of December 31, 2024 YTD (in USD thousands)	Liabilities for remaining coverage			Liabilities for incurred claims			Total
	Excluding loss component	Loss component		Estimates of future cash flows	Risk adjustment		
Opening insurance contract liabilities	\$ 5,283	\$ -	\$	190,886	\$ -	\$	196,169
Insurance revenue							
Contracts under PAA	(98,061)	-		-	-		(98,061)
Insurance service expenses							
Incurred claims and other expenses	-	-		(34,385)	-		(34,385)
Amortization of insurance acquisition cash flows	8,938	-		-	-		8,938
	8,938	-		(34,385)	-		(25,447)
Insurance service results	(89,123)	-		(34,385)	-		(123,508)
Effects of movements in exchange rates	22	-		-	-		22
Total changes in the statement of comprehensive income	(89,101)	-		(34,385)	-		(123,486)
Cash flows							
Premiums and premium tax received	98,589	-		-	-		98,589
Claims and other insurance expenses paid, including investment components	-	-		(31,094)	-		(31,094)
Insurance acquisition cash flows	(9,224)	-		-	-		(9,224)
Total cash flows	89,365	-		(31,094)	-		58,271
Net closing balance, December 31, 2024	\$ 5,547	\$ -	\$	125,407	\$ -	\$	130,954

As of December 31, 2023 YTD (in USD thousands)	Liabilities for remaining coverage			Liabilities for incurred claims			
	Excluding loss component	Loss component		Estimates of the present value of future cash flows	Risk adjustment		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
	9,872	-		(68,394)	-		(58,522)
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

For the year ended December 31	2024		2023	
Balance, beginning of the year	\$	236,410	\$	364,260
Foreign exchange on opening balance		(214)		145
Losses recovered relating to contracts written in:				
Current year		-		-
Prior year		(46,430)		(99,810)
Total losses recovered	\$	(46,430)	\$	(99,810)
Losses paid relating to contracts written in:				
Current year		-		-
Prior year		(34,645)		(28,185)
Total losses paid		(34,645)		(28,185)
Balance, end of the year	\$	155,121	\$	236,410
Balance, beginning of the year	\$	(45,524)	\$	(82,311)
Reinstatement premium on incurred claims				
Current year		-		-
Prior year		9,373		28,916
Total	\$	9,373	\$	28,916
Reinstatement premium on claims paid				
Current year		-		-
Prior year		6,437		7,871
Total		6,437		7,871
Balance, end of the year	\$	(29,714)	\$	(45,524)
Liability for incurred claims	\$	125,407	\$	190,886
Liability for remaining coverage		8,750		8,475
Outstanding premiums		(3,203)		(3,192)
Insurance contract liabilities	\$	130,954	\$	196,169
		2024		2023
Insurance service expenses				
Claims expenses	\$	37,342	\$	70,964
Administration and acquisition cost		(11,895)		(12,443)
	\$	25,447	\$	58,522

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	
Two years later	25,782	3,864	6,361	85,974	56,369	56,369
Three years later	21,315	2,788	7,784	66,804		66,804
Four years later	14,634	2,649	3,439			3,439
Five years later	11,354	2,388				2,388
Six years later	6,247					6,247
	\$					135,247
Prior years						18,024
	\$					153,271
Cumulative gross claims paid	\$ (63,967)	(2,514)	(6,090)	(64,890)	(108,654)	(246,115)

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. No covered catastrophic events occurred in 2024 (2023- none).

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, 2024	+100bps	-100bps
Invested assets	\$ (17,882)	\$ 21,267
As at December 31, 2023		
Invested assets	\$ (17,123)	\$ 20,950

i. Credit quality

The following tables present 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, 2024	Stage 1	Stage 2	Stage 3	Total
Debt securities				
Investment grade	\$ 334, 116	-	-	\$ 334, 116
Non-investment grade	-	-	-	-
Total	\$ 334,116	-	-	\$ 334, 116
Allowance for credit losses on assets held at amortized cost	-	-	-	-
Net of allowance	\$ 334,116	-	-	\$ 334, 116
Allowance for credit losses recorded in AOCI	\$ 92	-	-	\$ 92

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 1.1 to 5.1 per cent (2023 – 0.6 per cent to 3.3 per cent) and on the government bonds from 1.9 per cent to 4.0 per cent (2023 – 0.3 per cent to 3.9 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, 2024, investment grade 'A' and higher bonds comprise 97 per cent (2023 – 97 per cent) of the portfolio. Government bonds represented 86 per cent (2023 – 86 per cent) of the bond portfolio graded 'A' and above. U.S. Treasury Bonds comprise 100 per cent (2023 – 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, 2024, 100% (2023 – 100%) of the Company's fixed income invested assets include bonds, which have cashflows that qualify as SPPI and were investment grade-rated with ratings ranging between A to BBB.

Management believes that the credit risk relating to short-term financial assets which comprise cash and short-term securities, 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.

As at December 31, 2023	Stage 1	Stage 2	Stage 3	Total
Debt securities				
Investment grade	\$ 428,867	-	-	\$ 428,867
Non-Investment grade	-	-	-	-
Total	428,867	-	-	428,867
Allowance for credit losses on assets held at amortized cost	-	-	-	-
Net of allowance	\$ 428,867	-	-	428,867
Allowance for credit losses recorded in AOCI	\$ 143	-	-	\$ 143

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, January 1, 2024	\$ 253	-	-	\$ 253
Adjustment IFRS9	(110)	-	-	(110)
	\$ 143			\$ 143
Net remeasurement due to transfers	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net originations, purchases, and disposals	17	-	-	17
Repayments	-	-	-	-
Changes to risk, parameters, and models	(68)	-	-	(68)
Foreign exchange and other adjustments	-	-	-	-
Balance, December 31, 2024	\$ 92	-	-	\$ 92

	Stage 1	Stage 2	Stage 3	Total
Balance, January 1, 2023	\$ 219	-	-	\$ 219
Net remeasurement due to transfers	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net originations, purchases, and disposals	23	-	-	23
Repayments	-	-	-	-
Changes to risk, parameters, and models	11	-	-	11
Foreign exchange and other adjustments	-	-	-	-
Balance, December 31, 2023	\$ 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 any remaining balance, however, 100 per cent (2023 – 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 2024 and 2023, respectively.

(d) Underwriting risk

The Company's business is providing property catastrophe retrocession 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:

		2024		2023	
	Number of common shares	Amount	Number of common shares	Amount	
Balance, beginning of year	590,000,000	\$ 415,000	590,000,000	\$ 415,000	
Capital reduction	-	(215,000)	-	-	
Balance, end of year	590,000,000	\$ 200,000	590,000,000	\$ 415,000	

During 2024, the Company remitted \$215,000 to MHBL in the form of a capital reduction.

Preferred shares outstanding as at December 31, 2024 were nil (2023- nil).

9. Taxation

Income tax

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.

Global minimum tax

Effective for annual reporting beginning on or after January 1, 2024, Barbados has enacted legislation to adopt the Organization for Economic Cooperation and Development (“OECD”) International Pillar Two tax reform, which seeks to establish a GMT of fifteen per cent and address inter-jurisdictional base erosion and profit shifting. The Company’s assessment of exposure to GMT income taxes is based on the most recent information available regarding its financial performance. Based on the assessment, the Company expects to pay \$5,229 of Pillar Two income taxes for the year ended December 31, 2024.

Under IAS 12, the Company has applied the mandatory temporary exception from accounting for deferred taxes in respect of the GMT.

(a) Components of income tax expense

Income tax recognized in Statement on Income:

For the year ended December 31	2024	2023
Tax		
Current year	\$ 2,560	\$ -
Global minimum taxes	5,229	-
Adjustments related to prior years	1,844	-
Total tax	9,633	-
Deferred tax		
Origination and reversal of temporary differences	325	1,999
Total deferred tax	325	1,999
Income tax expense	\$ 9,958	\$ 1,999

For the year ended December 31	2024	2023
Net income before income taxes	\$ 146,991	\$ 199,642
Income tax expense at Barbados statutory tax rate	2,940	3,993
Increase (decrease) in income taxes due to:		
Adjustments to taxes related to prior years	1,844	-
Global minimum taxes	5,229	-
Other differences	(55)	(1,994)
Income tax expense	\$ 9,958	\$ 1,999

(b) Current tax receivable and payable

As at December 31, 2024, the Company has approximately \$7,789 (2023 - \$0) of current tax payable.

(c) Deferred tax asset and liability

As at December 31	2024		2023	
Deferred tax assets	\$	8	\$	325
Deferred tax liabilities		(8)		-
Net deferred tax asset	\$	-	\$	325

Recognized deferred tax assets and liabilities are comprised of the following components:

Net deferred tax asset (liabilities)	Balance at January 1, 2024		Recognized in profit or loss	Translation and other		Balance at December 31, 2024
Loss carry forward	\$	325	\$	(325)	-	\$ -
Lease Liability		10		(2)	-	8
Right of use asset and sublease receivable		(10)		2	-	(8)
Total	\$	325	\$	(325)	-	\$ 0

Net deferred tax asset (liabilities)	Balance at January 1, 2023		Recognized in profit or loss	Translation and other		Balance at December 31, 2023
Loss carry forward	\$	2,327	\$	(1,999)	(3)	\$ 325
Lease liability		1		9	-	10
Right of use asset and sublease receivable		(1)		(9)	-	(10)
Total	\$	2,327	\$	(1,999)	(3)	\$ 325

Income tax payable

As at December 31, 2024, the company has approximately \$2,560 of current tax payable and \$5,229 in global minimum tax payable and \$8 deferred tax payable.

10. Net Change in Non-Cash Assets and Liabilities

For the year ended December 31	2024	2023
Net change in non-cash assets and liabilities consists of:		
Increase in accrued investment income	\$ (333)	\$ (1,402)
Increase in balance due from related companies	(88)	(27)
(Decrease) increase in other assets	(5)	23
Decrease in insurance contract liabilities	(65,215)	(93,396)
Increase in accounts payable and accrued liabilities	582	1,813
Increase in balance due to related companies	60	121
	\$ (64,999)	\$ (92,868)

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 (2023 – \$633) 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.

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, 2024	Total fair value	Level 1	Level 2	Level 3
Assets:				
Short term				
Fair value OCI	\$ 67,389	\$ -	\$ 67,389	\$ -
Bonds				
Fair value OCI	\$ 386,149	\$ -	\$ 386,149	\$ -
Total assets carried at fair value	\$ 453,538	\$ -	\$ 453,538	\$ -
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	\$ -

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 2024 (2023 - 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 MFC's common shares. The Company matches a percentage of the employee's eligible contributions up to a maximum amount. All contributions are used to purchase MFC common shares in the open market on behalf of the qualifying employees. The Company has made matching contributions in the amount of \$8 (2023 - \$8).

In addition to the GSOP, under MFC's Restricted Share Unit Plan (the "RSU" plan), 1,579 (2023 – 2,015) of RSUs were granted to certain employees of the Company. The fair value of the RSUs granted during the year was \$30.71 per unit, as at December 31, 2024 (2023 - \$22.21 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 2024 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 \$38 for the year ended December 31, 2024 (2023 - \$42).

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. Subsequent Event

The wildfires that occurred in southern California in January 2025 caused extreme damage and impacted some of the Company's portfolios. An initial reserve of USD 35 million was established for the reporting period March 31, 2025. This reserve is based on estimates which are subject to material uncertainty and the ultimate loss might substantially deviate from this early loss assessment.

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